

City of Key West Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended
September 30, 2009



City of Key West, Florida

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Fiscal Year Ended September 30, 2009

Prepared by:

**Department of Finance
City of Key West**

City of Key West, Florida
Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2009

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Introductory Section

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THE CITY OF KEY WEST
Post Office Box 1409
Key West, FL 33041-1409

March 31, 2010

Honorable Mayor,
Members of the City Commission, and
Citizens of Key West

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the City of Key West, Florida, for the Fiscal Year ended September 30, 2009, is submitted herewith pursuant to the City Charter, Florida Statute Chapter 166.241(4), and Chapter 10.550 of the Rules of the Auditor General of the State of Florida. The comprehensive annual financial report was compiled by Finance Department staff with the close cooperation of the independent auditors. It represents the official report of the City's financial operations and condition to the citizens, City Commission, management personnel of the City, rating agencies, and other interested parties.

Responsibility for both the accuracy of the presented data as well as the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data as presented is accurate in all material respects, that the data is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

State statutes require an annual audit by independent certified public accountants. The City of Key West's financial statements have been audited by the independent certified public accounting firm of Keefe, McCullough & Co., LLP., CPA's and they have issued an unqualified opinion on the financial statements for the Fiscal Year ended September 30, 2009.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Key West's MD&A can be found immediately following the report of the independent accountants.

Financial Reporting Entity

This report includes all funds of the City. The City of Key West provides a full range of services outlined in the Florida Statutes or City Charter. These services include police and fire protection, the construction and maintenance of roads and infrastructure, recreational activities, planning, building and zoning. In addition to its general government activities, the City provides sewer, sanitation, stormwater, marina, parking and mass transit services through enterprise funds.

The City has ultimate responsibility for the Police Officers and Firefighters Retirement Plan, General Employees Retirement Plan, and the Local Redevelopment Agency (LRA). The Police Officers and Firefighters and General Employees Pension Plan activities are included in the financial statements as fiduciary funds. The LRA was created by the City under Florida Statute 163. The LRA was originally created to facilitate the transfer of surplus naval property in the City of Key West. Subsequent to the transfer, the LRA manages the property in accordance with conveyance regulations. The LRA is presented in the financial statements as a special revenue fund.

The City does not have financial responsibility for The Housing Authority of the City of Key West, Florida; however, the City does appoint board members and provides approximately \$ 425,000 annually in free sewer, sanitation and storm water services, which constitutes a financial benefit/burden relationship. Given the materiality of the financial benefit/burden, the City has included the Housing Authority as a discretely presented component unit herein.

Keys Energy Services (formerly City Electric System) has not met the established criteria for inclusion in the reporting entity and is excluded from this report. Financial reports are available directly from that agency.

Overall Financial Condition

The City of Key West is a two by four mile island located at the southernmost tip of Florida and the continental United States. Tourism is the primary industry throughout all of the Keys which comprise most of inhabited Monroe County. As evidenced below, tourism has slowly begun to turn around off its lows of 2008.

The average hotel occupancy rate for the calendar year 2009 was 77.2%, which is slightly up from the previous calendar years of 75.2% in 2008 and 75.5% in 2007. Tourists arriving at Key West International Airport for Fiscal Year 2009 numbered 229,000, compared to 222,000 and 263,000 for the years 2008 and 2007, respectively.

A further economic indicator is cruise ship passenger disembarkments. For Fiscal Year 2009, 862,000 cruise ship passengers visited the City compared to 734,000 and 831,000 in 2008 and 2007, respectively. The downward trend appears to have leveled off and recovered from the 2008 low, a trend that had continued since the peak of 1,008,000 in 2005.

Most community leaders agree that tourism is the current and future foundation of the local economy. City user fees, sales tax revenue, gas tax proceeds, parking revenues and cruise ship disembarkation fees continue to provide a significant portion of total City government revenues. If Key West remains a desirable tourist destination, the revenue base will remain strong.

Recent declines in tourist volumes and overall economic conditions have stretched the City's financial resources. In 2008, the City began to see a leveling off and decline in tourism activity. Most tourism related revenues showed little growth or actually receded for the first time in many years. This trend however appears to be reversing for the 2009 year. As the country appears to be slowly recovering from the 2008 – 2009 recession, an increase in tourism activities appears evident based upon reporting statistics.

In the past, the City has always fared favorably from the effects of the national economy due to its strong tourism base. However, the past couple of years have been very lean for the businesses and City government alike.

The City began its Fiscal Year 08-09 budget process in the middle of the 2008 Fiscal Year, a time when most of its major revenues sources were falling. The City had to be very conservative in the preparation

of the 2009 budget.

With most revenues budgeted flat or with modest decreases, the revenue budget was 2.8% less than the 2008 budget and 5% less than 2007 actual. To balance the budget, a significant reduction in expenditures was required as well as an increase in ad valorem taxes.

With 75% of the General Fund being personnel costs, a reduction of staffing had to take place. In order to balance the General Fund FY 09 operating budget, 26 full time equivalent positions had to be eliminated. Many of these were absorbed through attrition, retirements and vacancies.

Even with this significant reduction in full time positions, a 2.14% increase in ad valorem taxes, above rollback, had to take place in order to balance the budget. Unfortunately this increase came at a time, when most businesses and citizens were feeling the results of a bad economy. Ad valorem taxes account for approximately 36% of the revenue base.

During the year it became evident that the City was still going to fall short in certain major revenues.

When the City received the final assessment from the property appraiser the total taxable value assessment had dropped significantly from the assessment used to set millage. It was projected that this would decrease ad valorem tax collection approximately \$ 400,000. In addition, due to a slow down in the construction market, building permit collections were down substantially, a short fall of \$ 800,000 was projected.

In March of 2009, the City as a defendant, settled a lawsuit for \$ 8 million dollars. This suit was the result of a federal commerce clause violation having to do with the City's sightseeing franchise. The City used General Fund reserves to pay the settlement. Prior to the current downturn the City benefited from a strong tourism and cruise ship base and had been able to build up approximately 124 days of unreserved fund balance. It was anticipated that this payment alone would decrease fund balance by 80 days, to approximately 44 days. Due to its vulnerability to hurricanes and the resulting business interruption, the City strives to maintain at least a 90 day reserve.

Due to the anticipated revenue shortfalls and the lawsuit settlement, the City moved to minimize expenditures; only overtime necessary for life and safety issues was authorized, vacant positions were frozen and operating expenditures curtailed as much as possible - measures taken so the City would not dip dangerously low into its unreserved fund balance.

By year end, due to the spending measures implemented by management, unreserved fund balance had only decreased by approximately 62 days and was estimated at approximately 62 days as of September 30, 2009.

First quarter performance for Fiscal Year 09-10 is tracking well within established budgetary numbers. Tourism dependent revenues appear to be trending upward. The City was also the beneficiary of significant American Recovery and Reinvestment Act grant proceeds and has numerous storm water infrastructure projects ongoing. The City hopes the worst is over as tourism appears to be slowly recovering.

Financial Planning and Budgeting Controls

The City also maintains strict budgetary controls. The objective of these budgetary controls is to ensure compliance with Florida Statute Section 166.24(3) provisions embodied in the annual appropriated budget approved by the City Commission. Annual appropriated budgets are adopted for all governmental and proprietary funds except as noted below. These budgets are adopted using the modified accrual basis of accounting. This program is readopted annually based on changes in priority and funding. The City is not legally required to, and does not; adopt budgets for the Affordable Housing Escrow Fund, and the Pension Funds.

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established under City of Key West Ordinance 1.261 at the major category level; i.e., personal services, operating, capital, debt service, aids to private organizations, and transfers. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts expire at year-end and reappropriated for those material commitments.

Relevant Financial Policies

The City Commission recognizes the need to maintain adequate financial reserves. Due to its geographical location the City is very susceptible to the effects of hurricanes. Current policy dictates a minimum acceptable level of 25% of that year's budgeted expenditures (excluding operating transfers). In March of 2009 the City was faced with funding an unfavorable verdict of 8 million dollars as described above. As a result of the City's unreserved fund balance requirement, funding was available to meet this obligation. Upon funding this obligation management took the steps necessary to replenish this operating reserve requirement. Management and the Commission are dedicated to restoring the City's unreserved fund balances to adequate levels.

Major Initiatives

The most significant initiative funded in the FY 2009-10 is the improvement to the City's storm water system. Projects include approximately 30 gravity wells, 5 sediments traps and one pump assist well totaling approximately \$ 5 million dollars with significant funding being provided through a grant with the Army Corp. of Engineers.

For years, the City has been transferring infrastructure surtax proceeds for the construction of a new administration building to replace the current City Hall, City Hall Annex and Fire Station #2. Steps are currently being taken to move current services to temporary accommodations so aging buildings can be demolished and new infrastructure built.

Certificate of Achievement Award

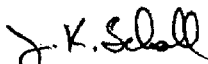
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Key West for its comprehensive annual financial report for the Fiscal Year ended September 30, 2008. This was the twenty-third consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for certification.

Acknowledgments

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our sincere appreciation to all members of the department who assisted in and contributed to its preparation. We would also like to thank the members of the City Commission for their interest and support in planning and conducting the financial operations of the City in a responsible, progressive manner.

Respectfully submitted,


JIM SCHOLL
City Manager


ROGER D. WITTENBERG
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Key West
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enos".

Executive Director

City of Key West, Florida

List of Principal Officials

Elected Officials

Mayor	Craig Cates
Commissioner	Jimmy Weekley
Commissioner	Mark Rossi
Commissioner	Billy Wardlow
Commissioner	Barry Gibson
Commissioner	Teri Johnston
Commissioner	Clayton Lopez

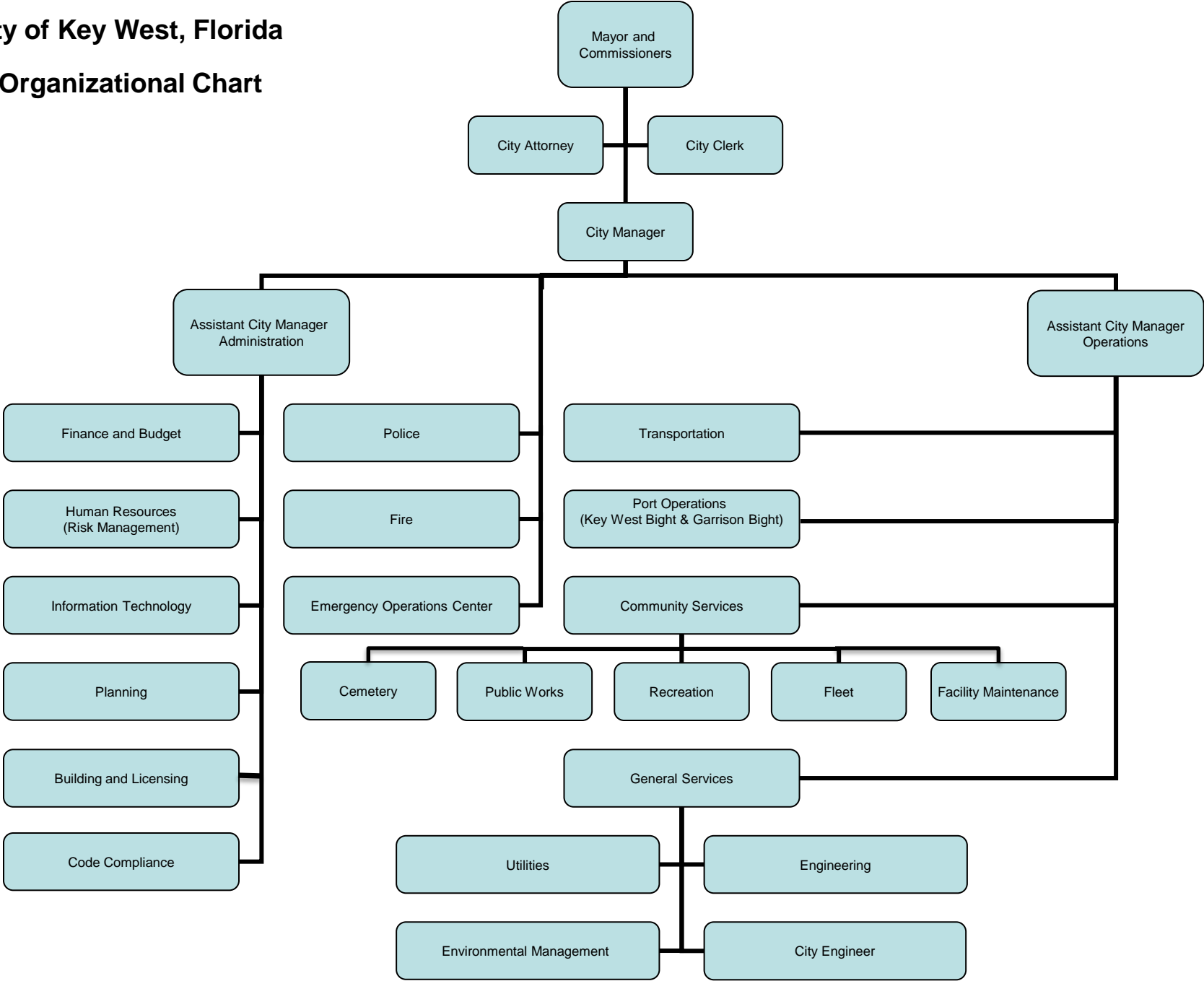
Appointed Officials

City Manager	Jim Scholl
City Clerk	Cheri Smith
City Attorney	Shawn Smith

Department Directors

Assistant City Manager - Administration	Mark Finigan
Assistant City Manager – Operations	E. David Fernandez
Building	John Woodson
Police Chief	Donald Lee, Jr.
Community Services	Greg Veliz
General Services	Gary Bowman
Finance	Roger Wittenberg
Fire Chief	David Fraga
Human Resources	Sandy Gilbert
Management Information Systems	Patti McLauchlin
Planning	Amy Kimball-Murley
Port	Raymond Archer
Transportation	Myra Hernandez-Wittenberg

City of Key West, Florida
Organizational Chart



City of Key West, Florida

VISION

A tropical island with unique community character in harmony with the diversity of its people and with its environment.

MISSION

To preserve and protect our island.

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Financial Section

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KEEFE, McCULLOUGH & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

JOHN R. KEEFE, C.P.A.
STEVEN H. WOODS, C.P.A.
DAVID T. WILLIAMS, C.P.A.
JOSEPH D. LEO, C.P.A.
WILLIAM G. BENSON, C.P.A.
KENNETH G. SMITH, C.P.A.
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CYNTHIA L. CALVERT, C.P.A.
ISRAEL J. GOMEZ, C.P.A.
JAMES R. LARAWAY, C.P.A.
JOHN E. McCULLOUGH, C.P.A. (RETIRED)
THOMAS T. CARPENTER, C.P.A. (RETIRED)
PAUL B. SNEIDER, C.P.A. (RETIRED)
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Commissioners and City Manager
City of Key West, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Key West, Florida (the "City"), as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pension Trust Fund for Police Officers and Firefighters, which represent 60%, 58%, and 31%, respectively, of the assets, net assets, and total additions of the Fiduciary Funds. Also, we did not audit the financial statements of The Housing Authority of the City of Key West, Florida, which is the sole discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Trust Fund for Police Officers and Firefighters and The Housing Authority of the City of Key West, Florida, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Key West, Florida as of September 30, 2009, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2010, on our consideration of the City of Key West, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The management's discussion and analysis and the analysis of funding progress are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Key West, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, budgetary comparison schedules, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the budgetary comparison schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Keefe, McCullough & Co., LLP

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
March 31, 2010

CITY OF KEY WEST, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2009

On behalf of the City of Key West, Florida, management presents to the readers of the City's financial statements, this narrative overview and analysis of the financial activities for the Fiscal Year ending September 30, 2009. We are providing this discussion and analysis in order to provide the reader with a better understanding of the City's overall financial position. This should be considered in conjunction with the additional information in the transmittal letter on page i and the City's basic financial statements, which begin on page 13.

Financial Highlights

- The City was the defendant for violation of the Commerce Clause of the United States Constitution. The jury returned a verdict for damages in the amount of \$ 13.5 million. On appeal, the damage award was reversed and remanded to the trial court for a new trial. On March 19, 2009 the case was settled for \$ 8 million. This amount had been recorded in the Statement of Net Assets under the governmental activities column as judgment payable at the end of Fiscal Year 2008. The settlement amount was funded by the use of unrestricted fund balance in the General Fund. The payment of this settlement, along with associated legal fees, effectively reduced General Fund reserves by approximately 85 days. Fortunately, favorable General Fund operating results for Fiscal Year 2008-09 allowed the City to recover approximately 20 operating days and end with approximately 62 days of General Fund operating reserves as of September 30, 2009.
- Total assets of the City exceeded its liabilities at the close of Fiscal Year 2009 by \$ 247,179,000, an increase of \$ 5,984,000 from the prior year. The majority of this increase is being generated in the City's Solid Waste and Key West Bight enterprise funds and in the General Fund and Capital Projects Fund.
- During the year, the City had revenues of \$ 28,242,000 in governmental activities generated by program revenues and \$ 31,087,000 in general revenues for governmental activities resulting in total revenues of \$ 8,482,000 more than last fiscal year (Table 2). A significant portion of this increase is recognized in capital grants in the Community Development Office Fund where a major community development block grant was received for use in the rehabilitation of various affordable housing complexes in Key West. All other governmental revenues were flat or decreased as a direct result of the current economic conditions affecting the entire country.
- The General Fund reported a decrease in fund balance of \$ 6,047,747. This decrease is a direct result of the lawsuit settlement mentioned above. As mentioned in the preceding transmittal letter the City instituted cost saving measures during the year to help keep its unreserved fund balance from declining further.
- Business type unrestricted net assets decreased by \$ 2,443,000, or 17 percent, while total net assets increased by \$ 1,657,000. The decrease is the result of Solid Waste and Key West Bight Funds spending accumulated reserves on capital projects, resulting in a shift of net assets from unrestricted to invested in capital assets.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 13 and 15) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on page 17. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee.

CITY OF KEY WEST, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2009

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 13. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better off or worse off as a result of the activities during Fiscal Year 2008-09?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. Net assets (the difference between assets and liabilities) are one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. However, it is also important to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

Based upon a review of these statements and in the following discussion you will see that the City's overall financial position has improved over the prior fiscal year.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- **Governmental activities:** Most of the City's basic services are reported here, including the police, fire, public works and parks departments as well as general administration. Property and other intergovernmental taxes, charges for services, and state and federal grants finance most of these activities.
- **Business-type activities:** The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's sewer, stormwater, solid waste and transit system as well as City marina facilities are reported here.
- **Component unit:** The City includes one separate legal entity in its report - The Housing Authority of the City of Key West, Florida, (KWHF). The KWHF's Board has full administrative responsibilities. The City provides free sewer, stormwater and solid waste services to the KWHF; and is responsible to refund withdrawals from certain debt service accounts of the KWHF, as more fully described in Note 12 of this report. KWHF is considered a component unit of the City and is presented discretely in this report.

Reporting the City's Most Significant Funds

The fund financial statements begin on page 17 and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and/or by bond covenants. However, the City Commission establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two types of funds (governmental and proprietary) use different accounting approaches.

- **Governmental funds:** Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation on the pages immediately following the governmental fund statements.

CITY OF KEY WEST, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2009

- **Proprietary funds:** When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use an internal service fund (the other component of proprietary funds) to report the City's insurance activity, which provides a service to the City's other programs and activities.

The City as Trustee

The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of trust arrangements, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 36 and 37. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The City as a Whole

The City's combined net assets increased from \$ 241,195,000 to \$ 247,179,000, or 2.5 percent. Most of the increase is a result of a build up of reserves for future capital outlay. As a result of the slowing economy, operating results in the funds contributed very little to the increase in net assets. Total net assets are comprised of \$ 191,047,000 invested in capital assets, net of related debt, \$ 34,475,000 restricted for capital projects, transportation, recreation and other purposes, and \$ 21,657,000 in unrestricted funds. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business type activities.

Table 1
Net Assets
(in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY09	FY08	FY09	FY08	FY09	FY08
Current and other assets	\$ 59,429	\$ 59,793	\$ 27,330	\$ 31,545	\$ 86,759	\$ 91,338
Capital assets	83,653	83,450	144,916	142,358	228,569	225,808
Total assets	143,082	143,243	172,246	173,903	315,328	317,146
Long-term debt outstanding	1,320	1,460	35,886	37,435	37,206	38,895
Other Liabilities	17,780	22,128	13,163	14,928	30,943	37,056
Total liabilities	19,100	23,588	49,049	52,363	68,149	75,951
Net assets:						
Invested in capital assets, net of related debt	83,653	83,450	107,394	103,294	191,047	186,744
Restricted	30,675	30,050	3,800	3,800	34,475	33,850
Unrestricted	9,654	6,155	12,003	14,446	21,657	20,601
Total net assets	\$ 123,982	\$ 119,655	\$ 123,197	\$ 121,540	\$ 247,179	\$ 241,195

CITY OF KEY WEST, FLORIDA
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Net assets of the City's governmental activities are comprised of \$ 9,654,000 in unrestricted net assets - the part of net assets that can be used to finance day-to-day operations of the General Fund and other governmental activities. This amount has increased \$ 3,499,000. The majority of this increase is due to an increase in the Capital Projects Fund fund balance of \$ 3,253,000. This increase is the result of a transfer of \$ 4,500,000 that took place from the Infrastructure Surtax Fund to help accumulate reserves for the construction of new City administration offices. Restricted net assets of \$ 30,675,000 are restricted to comply with the requirements of the special revenue funds, as well as other legal requirements. Governmental activities also have \$ 83,653,000 invested in net capital assets, net of related debt.

Net assets of the City's business type activities increased by 1.4 percent, and are comprised of \$ 12,003,000 in unrestricted net assets; \$ 3,800,000 in net assets restricted for capital projects (renewal and replacement), debt service and landfill long-term closure costs; and \$ 107,394,000 invested in capital assets, net of related debt. The small increase in net assets is due to holding the line on utility rate increases and an increase in bad debts as a result of the economy.

Table 2
City of Key West
Changes in Net Assets
(in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY09	FY08	FY09	FY08	FY09	FY08
Revenues						
Program revenues:						
Charges for services	\$ 11,613	\$ 11,136	\$ 32,350	\$ 34,144	\$ 43,963	\$ 45,280
Operating grants and contributions	4,295	2,583	420	1,033	4,715	3,616
Capital grants and contributions	12,334	4,275	1,429	4,276	13,763	8,551
General Revenues:						
Taxes: property and other	28,626	29,518	-	-	28,626	29,518
Intergovernmental	115	402	-	-	115	402
Investment income	1,745	1,944	642	1,010	2,387	2,954
Other revenues	601	989	174	204	775	1,193
Total Revenues	59,329	50,847	35,015	40,667	94,344	91,514
Expenses						
General government	13,611	13,058	-	-	13,611	13,058
Public safety	21,896	22,272	-	-	21,896	22,272
Physical environment	314	588	-	-	314	588
Transportation	3,711	4,002	-	-	3,711	4,002
Economic environment	14,622	5,297	-	-	14,622	5,297
Culture and recreation	2,314	3,677	-	-	2,314	3,677
Human services	409	517	-	-	409	517
Sanitary sewer system	-	-	10,833	10,704	10,833	10,704
Solid waste	-	-	7,105	7,480	7,105	7,480
Stormwater	-	-	3,053	2,871	3,053	2,871
Marinas (Key West & Garrison Bight)	-	-	6,911	8,188	6,911	8,188
Transit System	-	-	3,581	4,026	3,581	4,026
Total Expenses	56,877	49,411	31,483	33,269	88,360	82,680
Excess before transfers and extraordinary item	2,452	1,436	3,532	7,398	5,984	8,834
Extraordinary item	-	(6,750)	-	-	-	(6,750)
Transfers	1,876	1,982	(1,876)	(1,982)	-	-
Change in Net Assets	\$ 4,328	\$ (3,332)	\$ 1,656	\$ 5,416	\$ 5,984	\$ 2,084

The City's total revenues reported are \$ 94,344,000, which in part represents \$ 43,963,000 in charges for services, \$ 28,626,000 in property and other taxes. Total operating expenses of \$ 88,360,000 are reported. As shown above both total revenues and total expenses have increases for the year. Expenses outpaced revenues as a result of a slowing economy. Our analysis below separately considers the operations of governmental and business-type activities.

CITY OF KEY WEST, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Activities

Total revenues for the City's governmental activities of \$ 59,329,000 include \$ 11,613,000 in charges for services, as well as \$ 28,626,000 in property, state shared and local taxes.

For the year, the City's governmental revenues increased \$ 8,482,000 or a 16.6% increase. The large increase of \$ 8,059,000 in capital grants and contributions, as shown in Table 2, accounted for most of this increase. The large increase in capital grants was the result of Community Development Block Grants for \$ 8,852,000 accounted for in the Community Development Office Special Revenue Fund.

Other items of note, charges for services increased slightly for the year or approximately \$ 477,000. This was some relief from that of the prior year when charges for services decreased by more than \$ 1,570,000. Taxes were down \$ 892,000 mainly as a result of declining state shared sales tax and gas tax collections.

The cost of all governmental activities this year was \$ 56,877,000. However, as shown in the Statement of Activities on page 15, the amount that our taxpayers ultimately financed for these activities, through City ad valorem taxes, was \$ 15,573,000, because some of the cost was paid by those who directly benefited from the programs of \$ 11,613,000, or by other governments and organizations that subsidized certain programs with grants and contributions of \$ 16,629,000. The City paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

Table 3 presents the cost of each of the City's five largest programs – general government, public safety, culture and recreation, transportation and economic environment- as well as each program's *net* cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions. As you can see the only profit-making program is transportation due to the inclusion of cruise ship and parking revenues.

Table 3
Governmental Activities
(in Millions)

	Total Cost of Services		Net (Cost) Profit of Services	
	FY09	FY08	FY09	FY08
General government	\$ 13,611	\$ 13,058	\$ (10,889)	\$ (10,182)
Public safety	21,896	22,272	(18,969)	(19,627)
Culture and recreation	2,314	3,677	(145)	(3,026)
Transportation	3,711	4,002	4,532	3,475
Economic environment	14,622	5,297	(3,091)	(1,324)
All others	723	1,105	(73)	(734)
Totals	\$ 56,877	\$ 49,411	\$ (28,635)	\$ (31,418)

CITY OF KEY WEST, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2009

Business-type Activities

Revenues of the City's business-type activities (see Table 2) decreased by 13.9% (\$ 40,667,000 in 2008 compared to \$ 35,015,000 in 2009) as a result of decreases in charges for services and capital grants. The major decrease in charges for services occurs in the Key West Bight Fund, as fuel sales were down significantly from the prior year. All utility fund revenues remained flat or decreased. Expenses also decreased by 5.4%, or \$ 1,786,000, primarily as a result of a decrease in fuel cost and sales.

Financial analysis of the City's funds

As stated previously, the City of Key West uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. For the City of Key West, as of September 30, 2009, governmental funds reported combined fund balances of \$ 39,369,000, which is a decrease of \$ 5,422,000 in comparison with the prior fiscal year. This substantial decrease is a result of the \$ 8,000,000 settlement paid from the General Fund this year.

The General Fund is the chief operating fund of the City. As of September 30, 2009 the unreserved fund balance account in the General Fund was \$ 6,177,000, a decrease of \$ 6,185,000 from the previous year. The major contributing factor being the settlement payment previously mentioned. This unreserved fund balance amount represents 13 percent of the total General Fund Fiscal Year 2009 actual expenditures, a decrease from 33 percent represented in the previous year. The City recognized this significant decrease and began to take the necessary budgetary steps to increase this reserve to the required 25% or 90 days.

Proprietary funds. The City of Key West proprietary funds statements provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of proprietary funds at year-end are as follows:

Fund	Unrestricted Net Assets (Deficit)	
	FY09	FY08
Sanitary Sewer System	\$ 3,331,000	\$ 1,179,000
Solid Waste	6,139,000	9,382,000
Stormwater	(1,576,000)	(1,264,000)
Key West Bight	3,973,000	2,808,000
Garrison Bight	1,081,000	2,900,000
Transit System	(945,000)	(559,000)

For the year ending September 30, 2009, the Sanitary Sewer System Fund unrestricted net assets increased by \$ 2,152,000 or 182%. The increase was the result of positive operating income net of depreciation expense and a shift in net assets from invested in capital assets, net of related debt, to unrestricted.

Solid Waste Fund unrestricted net assets decreased by \$ 3,243,000 as a result of capital expenditures being made for the construction of the new transfer station.

The Stormwater Fund unrestricted net assets decreased by \$ 312,000 mainly due to capital construction grants received from other agencies and construction being funded from loans from other funds.

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The Key West Bight Fund had an increase in unrestricted net assets by \$ 1,165,000, which is approximately the same amount as the prior year. This is mainly due to normal operating profits recognized annually.

Fiscal Year 2008-09 General Fund Budgetary Highlights

During the Fiscal Year 2009, the City made various budget amendments which were approved by the City Commission to maintain budget compliance within its major categories. As required by City code, all contracts and purchases in excess of \$ 20,000 were approved by the City Commission.

The General Fund revenues fell short of budget in 3 of its 8 major categories. The only significant short fall was in licensing and permits. Building permit fees were short \$ 793,000 as new construction and renovations continues to be depressed.

General Fund revenues in total exceeded the budgeted amount by \$ 3,804,000. The majority of this positive variance was the result of a \$ 2,500,000 economic environment grant, recorded in intergovernmental revenue and the receipt of \$ 445,000 in state shared pension revenue that is subsequently transferred to the pension fund. Other positive variances of \$ 632,000 occurred in charges for services due to cruise ship and parking revenues. Rental income and investments both had positive variances between \$ 240,000 and \$ 250,000.

Total General Fund expenditures were higher than the budget by \$ 357,000. Eliminating the unbudgeted grant expense of \$ 2,500,000, and the state shared pension expenditure as mentioned above, results in a favorable expense variance of \$2,588,000. The majority of this "favorable" variance is recognized in the operating cost line item amounting to \$1,563,000. Additional savings were also recognized in personal services accounts. These savings were mainly due to a hiring freeze and a significant reduction in overtime. All these savings were a result of the controls put in place by management subsequent to the settlement payout.

Capital Assets

At the end of Fiscal Year 2009, the City had \$ 228,569,000 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table 4 below.)

Table 4
Capital Assets at Year-end
(in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY09	FY08	FY09	FY08	FY09	FY08
Land	\$ 53,187	\$ 53,187	\$ 18,681	\$ 18,681	\$ 71,868	\$ 71,868
Buildings and improvements	13,861	13,719	47,771	38,973	61,632	52,692
Equipment	17,151	17,254	17,243	17,544	34,394	34,798
Infrastructure	31,553	30,789	132,175	128,741	163,728	159,530
Construction in progress	2,729	429	4,351	7,912	7,080	8,341
Depreciation	(34,828)	(31,928)	(75,305)	(69,493)	(110,133)	(101,421)
Totals	\$ <u>83,653</u>	\$ <u>83,450</u>	\$ <u>144,916</u>	\$ <u>142,358</u>	\$ <u>228,569</u>	\$ <u>225,808</u>

CITY OF KEY WEST, FLORIDA
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This year's major additions to governmental activities included:

- \$ 1,431,000 in renovations and repairs to the City owned cruise port dock.
- New police vehicles totaled \$ 500,000.
- Street and sidewalk construction to Flagler Avenue was \$ 522,000.

In the business type activity funds, major additions included:

- The Solid Waste Fund recorded a new transfer station facility for \$ 8,633,000 of which \$ 4,137,000 was incurred during Fiscal Year 2008-09.
- The Stormwater Fund capitalized the Gravity Well Phase III project, aimed at reducing flooding and standing water. This project added \$ 1,735,000.
- The Key West Bight Fund added \$ 351,000 for the rehabilitation of one of its docks.
- The Garrison Bight Fund completed a major upgrade to Marlin Pier for \$ 939,000.

More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

Debt Administration

At year-end, the City had \$ 38,989,000 in bonds and notes outstanding, including unamortized loss and premiums/discounts, as shown in Table 5:

Table 5
Outstanding Long Term Debt at Year-end
(in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY09	FY08	FY09	FY08	FY09	FY08
Promissory note	\$ 1,467	\$ 1,614	\$ 3,735	\$ 3,973	\$ 5,202	\$ 5,587
Revenue Bonds and Notes	-	-	33,787	35,092	33,787	35,092
Totals	<u>\$ 1,467</u>	<u>\$ 1,614</u>	<u>\$ 37,522</u>	<u>\$ 39,065</u>	<u>\$ 38,989</u>	<u>\$ 40,679</u>

On December 18, 2009, the City entered into an agreement with a bank for the issuance of the Capital Improvement/Marina Refunding Revenue Note, Series 2009 in the amount of \$ 9,142,446. The proceeds from this indebtedness were used to currently refund the outstanding principal amount of the City's Capital Improvement/Marina Revenue Refunding Bonds, Series 1997 (\$ 9,086,901) and to pay the costs of issuing (\$ 55,545) the 2009 note. The subject bonds were called January 19, 2010. The resulting refunding generated a net present value savings of \$ 661,400.

The note is payable solely and secured by a pledge of the net revenue of the facilities, the half-cent sales tax collections, and the moneys in certain funds and accounts "pledged revenues" created pursuant to this agreement. Interest is due semiannually, at a rate of 3.37%, with principal due annually at installments ranging from \$ 144,400 to \$ 1,419,816 through maturity on December 1, 2017.

Other obligations include accrued vacation pay and sick leave (compensates absences); and insurance claims payable. More detailed information about the City's long-term liabilities is presented in Note 12 to the financial statements.

CITY OF KEY WEST, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Economic Factors and Next Year's Budgets and Rates

Budget Preparation

The following factors effected the development of the Fiscal Year 2009-10 budget. The downturn in the economy and the housing market has had a significant effect on the revenues of the City's General Fund.

Property values have declined from \$ 6,815,103,000 - DR 420 budgeted value in 2009 to \$ 5,858,474,000 budgeted value in 2010, a decline in property values of 14%, thereby creating the need for a significant increase to the millage rate to simply generate the same ad valorem tax revenue as the prior year.

Shared state revenues are another major revenue source for the City. According to state projections and current trends, the three major state revenue sources will all be lower than the previous year's budget. The half-cent sales tax was down 15%, gas tax down 8% and discretionary sales tax down 13%. Building permits fees, once a significant source of revenues to the General Fund, were down 49% to \$ 898,000.

In the Fiscal Year 2008-09 budget the City faced serious shortfalls. With the majority of the General Fund expenditures (75%) in personnel costs, some of which continue to rise for pension cost and health insurance, budget balancing had to come through a reduction in the number of full time positions. In order to reduce expenditures, 26 full time equivalent positions had to be eliminated.

With extraordinary cuts made to the Fiscal Year 2009 personnel budget, specific programs slated for the Fiscal Year 2010 budget had to be targeted for elimination or modification.

One such measure was the School Crossing Guard program. This program had been performed through a contract with the Monroe County Sheriff's Office. It was recommended that the City perform this program in house at a savings of \$ 190,000. Other savings included eliminating a vacant contracts manager position, reduction in personnel cost in Code Compliance due to impending retirements and the savings realized from the favorable pricing obtained in the remarketing of the City's insurance programs.

After these and other adjustments were made, the City was still looking at a 2.5% increase above roll back in ad valorem taxes to balance the budget without the use of operating reserves. Due to local economic conditions and the associated hardships being felt by citizens and businesses alike, the City Commission wanted to pass a budget that did not have a tax increase. In order to achieve such the City Commission authorized the use of approximately 3 days or \$ 315,000 of fund balance reserves.

After the General Fund was balanced, the Fiscal Year 2009-10 budget had increased 3% above prior year.

Economic Outlook

The economy of Key West has slowed along with the rest of the country. In Fiscal Year 2006-07 the City benefited from a significant increase in building permit fees. The increase resulted from significant hurricane recovery rebuilding and numerous large hotels that have gone through conversion to condominiums. As these conversions began to slowdown and hurricane recovery concluded, the City is experiencing significant declines in these revenues and other related revenues. Building permit fees alone have decreased more than 100% or more than \$ 1 million since Fiscal Year 2006-07. Currently it appears the ten year low of \$ 958,000 will be surpassed in Fiscal Year 2009-10, hopefully pointing to a sign of economic recovery.

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As previously discussed in the transmittal letter, tourism statistics point to a struggling but slowly recovering tourism economy. The average hotel occupancy rate for the calendar year 2009 was 77.2%, which is slightly up from the previous calendar years of 74.2% in 2008 and 75.5% in 2007. Tourists arriving at Key West International Airport for Calendar Year 2009 numbered 229,000, compared to 222,000 and 263,000 for calendar years 2008 and 2007, respectively. The daily cruise ship passenger has a significant effect on the downtown business sector. Cruise ship passengers numbered 862,000 for 2009, as compared to 734,000 and 831,000 in 2008 and 2007, respectively. The downward trend appears to have leveled off and recovered from the 2008 low, a trend that had continued since the peak of 1,008,000 in 2005.

The return tourist will not only help the local economy but benefits the City directly. Many visitors drive down the scenic overseas highway from the mainland. Parking meters, parking fines, and parking lots account for almost 10% of the General Fund revenue sources. With the increase, sales tax collections, gas tax collection and other state shared revenues will slowly begin to recover. In addition, the city leases many properties which rely on tourism. Many of these leases include rents based on sales volume that directly benefits the City as the sale of food, beverages and merchandise increases.

With what appears to be a return of Key West's economy, the City's revenue base should stabilize once again. With the significant cuts in personnel service cost in Fiscal Year 2008-09, which decreased the overall budget substantially, the City feels it is well positioned to endure and eventually recover from this economic downturn that has affected the country and Key West.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please visit the City's web site at www.keywestcity.com or by contacting the Finance Department, City of Key West, P.O. Box 1409, Key West, FL 33041.

Basic Financial Statements

City of Key West, Florida
Statement of Net Assets
September 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets:				
Current assets:				
Cash, cash equivalents, and investments	\$ 45,433,079	\$ 20,451,627	\$ 65,884,706	\$ 5,346,746
Cash equivalents and investments (restricted)	398,871	5,154,864	5,553,735	2,698,003
Accounts receivable (net of allowances)	1,058,411	2,764,582	3,822,993	38,824
Interest receivable	-	915	915	9,034
Intergovernmental receivables	4,464,161	1,773,549	6,237,710	409,303
Inventories	12,960	570,535	583,495	-
Prepaid items and other assets	105,446	30,297	135,743	223,011
Mortgage notes receivable	26,425	-	26,425	23,871
Internal balances	3,857,935	(3,857,935)	-	-
Due from fiduciary funds	-	-	-	7,107
Total current assets	<u>55,357,288</u>	<u>26,888,434</u>	<u>82,245,722</u>	<u>8,755,899</u>
Noncurrent assets:				
Net pension assets	2,784,655	-	2,784,655	-
Capital assets:				
Land	53,186,804	18,681,034	71,867,838	8,774,707
Buildings and improvements	13,860,764	47,771,433	61,632,197	47,265,840
Infrastructure	31,553,964	132,174,560	163,728,524	1,167,753
Machinery, equipment and furniture	17,150,833	17,242,677	34,393,510	863,500
Accumulated depreciation	(34,828,296)	(75,305,435)	(110,133,731)	(19,411,545)
Construction in progress	2,728,927	4,351,664	7,080,591	7,519
Other, including loans and mortgage receivable	1,287,213	442,238	1,729,451	2,653,947
Total noncurrent assets	<u>87,724,864</u>	<u>145,358,171</u>	<u>233,083,035</u>	<u>41,321,721</u>
Total assets	<u>\$ 143,082,152</u>	<u>\$ 172,246,605</u>	<u>\$ 315,328,757</u>	<u>\$ 50,077,620</u>

The accompanying notes are an integral part of the financial statements

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses \$	2,565,745	\$ 1,587,721	\$ 4,153,466	\$ 555,275
Accrued payroll and related expenses	769,181	137,661	906,842	-
Unearned revenue	2,794,404	510,026	3,304,430	-
Intergovernmental	406,878	6,148,881	6,555,759	294,280
Deposits	123,924	-	123,924	-
Insurance claims payable	1,232,568	-	1,232,568	-
Compensated absences	2,065,391	190,568	2,255,959	26,996
Retainage payable	548,534	158,615	707,149	-
Due to fiduciary funds	329,439	-	329,439	-
Liabilities payable from restricted assets:				
Accrued interest	-	1,354,302	1,354,302	326,002
Bonds and notes payable	147,058	1,636,307	1,783,365	791,888
Other	-	40,000	40,000	318,184
Total current liabilities	10,983,122	11,764,081	22,747,203	2,312,625
Noncurrent liabilities:				
Notes payable	1,319,699	3,488,227	4,807,926	30,592,828
Revenue bonds payable, net	-	32,397,397	32,397,397	-
Insurance claims payable	4,171,345	-	4,171,345	-
Accrued interest	-	625,572	625,572	-
Landfill closure cost payable	-	223,333	223,333	-
Compensated absences	1,155,854	170,743	1,326,597	236,513
OPEB liability	352,983	47,889	400,872	-
Other	1,116,818	332,064	1,448,882	2,233,636
Total noncurrent liabilities	8,116,699	37,285,225	45,401,924	33,062,977
Total liabilities	19,099,821	49,049,306	68,149,127	35,375,602
Net assets:				
Invested in capital assets, net of related debt	83,652,996	107,394,002	191,046,998	7,283,058
Restricted for:				
Capital projects	17,447,587	1,500,000	18,947,587	-
Debt service	-	2,199,700	2,199,700	-
Landfill closure	-	100,862	100,862	-
Transportation	8,592,283	-	8,592,283	-
Recreation	852,829	-	852,829	-
Economic environment	3,554,441	-	3,554,441	2,379,491
Public safety	228,416	-	228,416	-
Unrestricted	9,653,779	12,002,735	21,656,514	5,039,469
Total net assets	\$ 123,982,331	\$ 123,197,299	\$ 247,179,630	\$ 14,702,018

City of Key West, Florida
Statement of Activities
For the year ended September 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Fee, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 13,569,991	\$ 2,257,439	\$ -	\$ 464,212
Public safety	21,896,349	2,279,708	518,250	129,167
Physical environment	314,422	54,206	25,624	-
Transportation	3,711,002	6,839,901	138,621	1,264,438
Economic environment	14,621,967	-	2,427,977	9,103,375
Culture and recreation	2,313,685	181,942	613,522	1,373,051
Human services	408,830	-	570,716	-
Interest	41,229	-	-	-
Total governmental activities	<u>56,877,473</u>	<u>11,613,196</u>	<u>4,294,710</u>	<u>12,334,243</u>
Business-Type Activities:				
Sanitary Sewer System	10,833,075	11,647,936	16,533	63,716
Solid Waste	7,105,438	9,282,866	-	-
Key West Bight	5,484,658	6,500,198	-	35,073
Stormwater	3,052,946	2,392,744	-	893,343
Garrison Bight	1,425,882	1,459,300	17,323	178,617
Transit System	3,580,931	1,066,901	386,252	258,197
Total business-type activities	<u>31,482,930</u>	<u>32,349,945</u>	<u>420,108</u>	<u>1,428,946</u>
Total primary government	<u>\$ 88,360,403</u>	<u>\$ 43,963,141</u>	<u>\$ 4,714,818</u>	<u>\$ 13,763,189</u>
COMPONENT UNIT:				
The Key West Housing Authority of of the City of Key West, Florida	<u>\$ 15,892,678</u>	<u>\$ 6,744,713</u>	<u>\$ 10,201,008</u>	<u>\$ 36,260</u>
Total component units	<u>\$ 15,892,678</u>	<u>\$ 6,744,713</u>	<u>\$ 10,201,008</u>	<u>\$ 36,260</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Communications taxes				
Local business tax				
Municipal revenue sharing gas and cigarette tax				
One cent sales tax				
Half cent sales tax				
Local option gas tax				
Intergovernmental income (unrestricted)				
Payment in lieu of tax				
Investment earnings				
Other				
Transfers in (out)				
Total general revenues and transfers				
Change in net assets				
Net assets, October 1,				
Net assets, September 30				

The accompanying notes to financial statements are an integral part of the statements.

Net (Expense) Revenue and Changes in Net Assets
Primary Government

Governmental Activities	Business- type Activities	Total	Component Units
\$ (10,848,340)	\$ -	\$ (10,848,340)	\$ -
(18,969,224)	-	(18,969,224)	-
(234,592)	-	(234,592)	-
4,531,958	-	4,531,958	-
(3,090,615)	-	(3,090,615)	-
(145,170)	-	(145,170)	-
161,886	-	161,886	-
(41,229)	-	(41,229)	-
<u>(28,635,324)</u>	<u>-</u>	<u>(28,635,324)</u>	<u>-</u>
-	895,110	895,110	-
-	2,177,428	2,177,428	-
-	1,050,613	1,050,613	-
-	233,141	233,141	-
-	229,358	229,358	-
-	<u>(1,869,581)</u>	<u>(1,869,581)</u>	-
-	<u>2,716,069</u>	<u>2,716,069</u>	-
<u>(28,635,324)</u>	<u>2,716,069</u>	<u>(25,919,255)</u>	<u>-</u>

\$ 1,089,303
\$ 1,089,303

15,572,884	-	15,572,884	-
1,633,268	-	1,633,268	-
1,268,193	-	1,268,193	-
1,024,872	-	1,024,872	-
5,218,557	-	5,218,557	-
2,833,706	-	2,833,706	-
1,074,604	-	1,074,604	-
115,260	-	115,260	-
496,081	-	496,081	-
1,744,586	642,248	2,386,834	109,152
104,949	174,411	279,360	540,744
<u>1,875,822</u>	<u>(1,875,822)</u>	<u>-</u>	<u>-</u>
<u>32,962,782</u>	<u>(1,059,163)</u>	<u>31,903,619</u>	<u>649,896</u>
4,327,458	1,656,906	5,984,364	1,739,199
<u>119,654,873</u>	<u>121,540,393</u>	<u>241,195,266</u>	<u>12,962,819</u>
<u>\$ 123,982,331</u>	<u>\$ 123,197,299</u>	<u>\$ 247,179,630</u>	<u>\$ 14,702,018</u>

City of Key West, Florida
Balance Sheet
Governmental Funds
September 30, 2009

	General Fund	Infrastructure Surtax Fund
Assets:		
Cash, cash equivalents, and investments	\$ 7,245,670	\$ 5,311,168
Cash equivalents and investments (restricted)	-	-
Receivables:		
Accounts	491,998	-
Intergovernmental	520,444	1,132,935
Mortgage notes	-	-
Interfund receivables	1,005,989	411
Inventories	12,960	-
Advances to other funds	2,393,049	-
Prepays	23,785	-
Total assets	\$ 11,693,895	\$ 6,444,514
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 778,311	\$ 518,326
Accrued payroll	740,846	1,869
Retainage payable	-	153,607
Due to fiduciary fund	329,439	-
Intergovernmental	177,314	-
Deposits	123,924	-
Deferred revenue	850,952	160,357
Total liabilities	3,000,786	834,159
Fund balances:		
Reserved for:		
Inventories and prepaids	36,745	-
Receivables	-	-
Encumbrances	86,054	1,942,122
Advances	2,393,049	-
Unreserved, reported in:		
General Fund	6,177,261	-
Special Revenue Funds	-	3,668,233
Capital Projects Fund	-	-
Total fund balances	8,693,109	5,610,355
Total liabilities and fund balances	\$ 11,693,895	\$ 6,444,514

The accompanying notes to financial statements are an integral part of these statements.

Community Development Office Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,062,448	\$ 11,838,045	\$ 12,007,400	\$ 39,464,731
-	-	398,871	398,871
367	-	-	492,365
234,406	-	323,541	2,211,326
1,313,638	-	-	1,313,638
-	-	662,823	1,669,223
-	-	-	12,960
-	-	-	2,393,049
300	-	-	24,085
<u>\$ 4,611,159</u>	<u>\$ 11,838,045</u>	<u>\$ 13,392,635</u>	<u>\$ 47,980,248</u>
\$ 690,226	\$ 813	\$ 544,628	\$ 2,532,304
-	-	17,787	760,502
346,580	-	48,347	548,534
-	-	-	329,439
229,564	-	-	406,878
-	-	-	123,924
2,458,455	-	440,238	3,910,002
<u>3,724,825</u>	<u>813</u>	<u>1,051,000</u>	<u>8,611,583</u>
300	-	-	37,045
170,396	-	-	170,396
-	681,674	1,809,903	4,519,753
-	-	-	2,393,049
-	-	-	6,177,261
715,638	-	10,531,732	14,915,603
-	11,155,558	-	11,155,558
<u>886,334</u>	<u>11,837,232</u>	<u>12,341,635</u>	<u>39,368,665</u>
<u>\$ 4,611,159</u>	<u>\$ 11,838,045</u>	<u>\$ 13,392,635</u>	<u>\$ 47,980,248</u>

City of Key West
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
September 30, 2009

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	39,368,665
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		83,652,996
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Internal service funds are used by management to charge the costs of insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		928,766
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The net pension asset is not available to pay for current period expenditures and, therefore, is deferred in the funds.		2,784,655
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Receivables in governmental funds are susceptible to full accrual on the government-wide statements. Intergovernmental		2,273,033
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Liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities are comprised of the following:

Other post employment benefits (OPEB)	\$ (352,983)	
Note payable	(1,466,757)	
Compensated absences*	(3,206,044)	
Liabilities - net		(5,025,784)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>123,982,331</u>
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* Not created in connection with terminated employees.

The accompanying notes are an integral part of the financial statements

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City of Key West, Florida
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the year ended September 30,2009

	<u>General Fund</u>	<u>Infrastructure Surtax Fund</u>
Revenues:		
Taxes	\$ 17,106,605	\$ 5,218,556
Licenses and permits	2,174,363	-
Intergovernmental income	8,573,429	1,609,705
Charges for services	6,195,123	-
Fines and forfeitures	1,013,421	-
Investment earnings	616,161	288,874
Rental income	1,784,114	-
Contributions and other	98,095	6,751
Total revenues	<u>37,561,311</u>	<u>7,123,886</u>
Expenditures:		
Current:		
General government	20,967,021	953,705
Public safety	18,946,855	117,389
Physical environment	238,268	-
Transportation	1,214,366	-
Economic environment	2,546,639	-
Culture and recreation	1,781,975	103,947
Human services	407,630	-
Capital outlay	276,882	2,753,964
Debt service:		
Principal	-	-
Interest	-	-
Total expenditures	<u>46,379,636</u>	<u>3,929,005</u>
Excess (deficiency) of revenues over expenditures	<u>(8,818,325)</u>	<u>3,194,881</u>
Other financing sources (uses):		
Transfers in	3,984,774	-
Transfers out	(1,214,196)	(6,574,799)
Total other financing sources (uses)	<u>2,770,578</u>	<u>(6,574,799)</u>
Net change in fund balances	(6,047,747)	(3,379,918)
Fund balances, October 1	<u>14,740,856</u>	<u>8,990,273</u>
Fund balances, September 30	<u>\$ 8,693,109</u>	<u>\$ 5,610,355</u>

The accompanying notes to financial statements are an integral part of the statements.

Community Development Office Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,945,511	\$ 24,270,672
-	-	-	2,174,363
9,542,546	-	465,080	20,190,760
-	-	871,519	7,066,642
-	-	238,801	1,252,222
11,685	374,798	453,068	1,744,586
-	-	-	1,784,114
117,317	-	46,848	269,011
<u>9,671,548</u>	<u>374,798</u>	<u>4,020,827</u>	<u>58,752,370</u>
-	-	-	21,920,726
-	-	133,457	19,197,701
-	-	-	238,268
-	-	2,038,881	3,253,247
9,803,807	1,300,000	971,521	14,621,967
-	-	-	1,885,922
-	-	-	407,630
-	322,047	683,829	4,036,722
-	-	147,057	147,057
-	-	41,229	41,229
<u>9,803,807</u>	<u>1,622,047</u>	<u>4,015,974</u>	<u>65,750,469</u>
<u>(132,259)</u>	<u>(1,247,249)</u>	<u>4,853</u>	<u>(6,998,099)</u>
208,000	4,500,000	2,980,995	11,673,769
-	-	(2,308,952)	(10,097,947)
<u>208,000</u>	<u>4,500,000</u>	<u>672,043</u>	<u>1,575,822</u>
75,741	3,252,751	676,896	(5,422,277)
<u>810,593</u>	<u>8,584,481</u>	<u>11,664,739</u>	<u>44,790,942</u>
\$ <u>886,334</u>	\$ <u>11,837,232</u>	\$ <u>12,341,635</u>	\$ <u>39,368,665</u>

City of Key West
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Statement of Activities
Governmental Funds
For the year ended September 30, 2009

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (5,422,277)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which capital outlay exceeded depreciation expense and loss on disposal for the current period.

Expenditures for capital assets	\$ 4,036,722	
Less: Net book value of disposed assets	(62,240)	
Less: Current year depreciation	<u>(3,771,757)</u>	202,725

Repayment of a loan is an expenditure in the governmental funds, but the repayment is a reduction of a liability in the statement of net assets.	147,057
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	576,639
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

Other post employment benefits (OPEB)	\$ (352,983)	
Judgments payable	8,000,000	
Accounts payable	<u>68,868</u>	7,715,885

The change in compensated absences not created by employee termination does not require adjustment of current financial resources and therefore is not reported in the governmental funds	(17,216)
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net of the internal service fund is reported with governmental funds.	623,748
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Net pension assets reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>500,897</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 4,327,458

The accompanying notes are an integral part of the financial statements

City of Key West, Florida
Statement of Revenues, Expenditures and
Changes in Fund Balance
Budget and Actual - General Fund
For the year ended September 30, 2009

General Fund				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 17,055,089	\$ 17,055,088	\$ 17,106,605	\$ 51,517
Licenses and permits	2,895,217	2,895,217	2,174,363	(720,854)
Intergovernmental income	4,828,317	5,177,266	8,573,429	3,396,163
Charges for services	5,563,498	5,563,498	6,195,123	631,625
Fines and forfeitures	1,014,965	1,014,965	1,013,421	(1,544)
Investment earnings	375,000	375,000	616,161	241,161
Rental income	1,532,379	1,532,379	1,784,114	251,735
Contributions and other	81,527	143,427	98,095	(45,332)
Total revenues	<u>33,345,992</u>	<u>33,756,840</u>	<u>37,561,311</u>	<u>3,804,471</u>
Expenditures:				
Personal services	27,334,703	27,262,265	26,982,955	279,310
Operating	8,986,848	18,136,514	16,573,160	1,563,354
Capital outlay	173,213	566,669	276,882	289,787
Aid to private organizations	55,500	57,300	2,546,639	(2,489,339)
Total expenditures	<u>36,550,264</u>	<u>46,022,748</u>	<u>46,379,636</u>	<u>(356,888)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,204,272)</u>	<u>(12,265,908)</u>	<u>(8,818,325)</u>	<u>3,447,583</u>
Other financing sources (uses):				
Transfers in	4,209,774	4,211,075	3,984,774	(226,301)
Transfers out	(912,917)	(1,206,196)	(1,214,196)	(8,000)
Total other financing sources (uses)	<u>3,296,857</u>	<u>3,004,879</u>	<u>2,770,578</u>	<u>(234,301)</u>
Net change in fund balance	92,585	(9,261,029)	(6,047,747)	3,213,282
Fund balance, October 1	<u>14,740,856</u>	<u>14,740,856</u>	<u>14,740,856</u>	<u>-</u>
Fund balance, September 30	<u>\$ 14,833,441</u>	<u>\$ 5,479,827</u>	<u>\$ 8,693,109</u>	<u>\$ 3,213,282</u>

The accompanying notes are an integral part of the financial statements

City of Key West, Florida
Statement of Revenues, Expenditures, and
Changes in Fund Balance
Budget and Actual - Infrastructure Surtax Fund
For the year ended September 30, 2009

	Infrastructure Surtax Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	\$ 5,800,000	\$ 5,800,000	\$ 5,218,556	\$ (581,444)
Intergovernmental income	3,104,000	3,136,565	1,609,705	(1,526,860)
Investment earnings	200,000	200,000	288,874	88,874
Contributions and other	-	6,751	6,751	-
Total revenues	<u>9,104,000</u>	<u>9,143,316</u>	<u>7,123,886</u>	<u>(2,019,430)</u>
Expenditures:				
Personal services	158,018	158,018	156,802	1,216
Operating	2,410,000	2,501,717	1,018,239	1,483,478
Capital outlay	8,754,617	6,251,917	2,753,964	3,497,953
Total expenditures	<u>11,322,635</u>	<u>8,911,652</u>	<u>3,929,005</u>	<u>4,982,647</u>
Excess (deficiency) of revenues over expenditures	<u>(2,218,635)</u>	<u>231,664</u>	<u>3,194,881</u>	<u>2,963,217</u>
Other financing (uses):				
Transfers out	<u>(4,074,799)</u>	<u>(6,574,799)</u>	<u>(6,574,799)</u>	<u>-</u>
Total other financing (uses)	<u>(4,074,799)</u>	<u>(6,574,799)</u>	<u>(6,574,799)</u>	<u>-</u>
Net change in fund balance	<u>(6,293,434)</u>	<u>(6,343,135)</u>	<u>(3,379,918)</u>	<u>2,963,217</u>
Fund balance, October 1	<u>8,990,273</u>	<u>8,990,273</u>	<u>8,990,273</u>	<u>-</u>
Fund balance, September 30	<u>\$ 2,696,839</u>	<u>\$ 2,647,138</u>	<u>\$ 5,610,355</u>	<u>\$ 2,963,217</u>

The accompanying notes are an integral part of the financial statements

City of Key West, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Community Development Office Fund
For the year ended September 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental income	\$ 10,469,278	\$ 10,469,278	\$ 9,542,546	\$ (926,732)
Investment earnings	-	-	11,685	11,685
Contributions and other	-	-	117,317	117,317
Total revenues	<u>10,469,278</u>	<u>10,469,278</u>	<u>9,671,548</u>	<u>(797,730)</u>
Expenditures:				
Operating	9,986,688	9,986,688	9,363,358	623,330
Aid to private organizations	482,590	482,590	440,449	42,141
Total expenditures	<u>10,469,278</u>	<u>10,469,278</u>	<u>9,803,807</u>	<u>665,471</u>
Excess (deficiency) of revenue over expenditures	<u>-</u>	<u>-</u>	<u>(132,259)</u>	<u>(132,259)</u>
Other financing sources:				
Transfers in	-	-	208,000	208,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>208,000</u>	<u>208,000</u>
Net change in fund balance	-	-	75,741	75,741
Fund balance, October 1	<u>810,593</u>	<u>810,593</u>	<u>810,593</u>	<u>-</u>
Fund balance, September 30	<u>\$ 810,593</u>	<u>\$ 810,593</u>	<u>\$ 886,334</u>	<u>\$ 75,741</u>

The accompanying notes to financial statements are an integral part of the financial statements.

City of Key West, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2009

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
Assets:			
Current assets:			
Cash, cash equivalents and investments	\$ 7,767,123	\$ 5,866,409	\$ 5,016,986
Receivables, net of allowance for uncollectibles:			
Accounts	1,045,695	1,090,282	342,160
Interest	502	413	-
Intergovernmental	63,716	128,540	52,941
Interfund receivables	9,379	4,738	10,505
Prepaid expenses	-	-	22,868
Inventories	473,483	4,184	38,070
Total	<u>9,359,898</u>	<u>7,094,566</u>	<u>5,483,530</u>
Restricted assets:			
Cash equivalents and investments	<u>3,989,382</u>	<u>100,862</u>	<u>1,064,620</u>
Total current assets	<u>13,349,280</u>	<u>7,195,428</u>	<u>6,548,150</u>
Noncurrent assets:			
Deferred Charges:			
Unamortized bond cost, net	<u>356,292</u>	<u>-</u>	<u>85,946</u>
Property, plant and equipment:			
Land	6,480	3,745,027	14,879,527
Buildings and improvements	24,900,870	12,492,964	5,678,701
Infrastructure	100,487,645	910,307	8,994,774
Machinery, equipment and furniture	9,873,579	850,974	631,926
Construction in progress	665,133	-	76,709
Total	<u>135,933,707</u>	<u>17,999,272</u>	<u>30,261,637</u>
Less accumulated depreciation	<u>50,023,564</u>	<u>5,288,903</u>	<u>6,339,494</u>
Net property, plant and equipment	<u>85,910,143</u>	<u>12,710,369</u>	<u>23,922,143</u>
Other noncurrent assets:			
Advances to other funds	<u>22,580</u>	<u>-</u>	<u>334,103</u>
Total noncurrent assets	<u>86,289,015</u>	<u>12,710,369</u>	<u>24,342,192</u>
Total assets	<u>\$ 99,638,295</u>	<u>\$ 19,905,797</u>	<u>\$ 30,890,342</u>

The accompanying notes are an integral part of the financial statements

<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 50,000	\$ 1,751,109	\$ 20,451,627	\$ 5,968,348
137,267	149,178	2,764,582	545,848
-	-	915	-
1,265,767	262,585	1,773,549	-
617	20,398	45,637	-
-	7,429	30,297	81,359
27,227	27,571	570,535	-
<u>1,480,878</u>	<u>2,218,270</u>	<u>25,637,142</u>	<u>6,595,555</u>
-	-	5,154,864	-
<u>1,480,878</u>	<u>2,218,270</u>	<u>30,792,006</u>	<u>6,595,555</u>
-	-	442,238	-
-	50,000	18,681,034	-
-	4,698,898	47,771,433	-
17,260,862	4,520,972	132,174,560	-
96,221	5,789,977	17,242,677	-
<u>1,283,188</u>	<u>2,326,634</u>	<u>4,351,664</u>	-
18,640,271	17,386,481	220,221,368	-
<u>4,115,794</u>	<u>9,537,680</u>	<u>75,305,435</u>	-
<u>14,524,477</u>	<u>7,848,801</u>	<u>144,915,933</u>	-
-	-	356,683	-
<u>14,524,477</u>	<u>7,848,801</u>	<u>145,714,854</u>	-
<u>\$ 16,005,355</u>	<u>\$ 10,067,071</u>	<u>\$ 176,506,860</u>	<u>\$ 6,595,555</u>

City of Key West, Florida
Statement of Net Assets
Proprietary Funds
(Continued)
September 30, 2009

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
Liabilities and Net Assets:			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 68,695	\$ 451,413	\$ 201,848
Accrued payroll and related expenses	13,407	42,574	86,207
Accrued expenses	-	54,970	195,160
Retainage payable	15,089	80,012	4,815
Interfund payable	-	-	329,219
Insurance claims payable	-	-	-
Intergovernmental	6,148,881	-	-
Landfill closure costs payable, current	-	40,000	-
Deferred revenue	126,890	-	284,133
Total	<u>6,372,962</u>	<u>668,969</u>	<u>1,101,382</u>
Current liabilities:			
Payable from restricted assets:			
Accrued interest	534,710	-	819,592
Bonds and notes payable, current	1,221,246	-	415,061
Total	<u>1,755,956</u>	<u>-</u>	<u>1,234,653</u>
Total current liabilities	<u>8,128,918</u>	<u>668,969</u>	<u>2,336,035</u>
Noncurrent liabilities:			
Revenue bonds payable, net of discount	23,076,449	-	9,320,948
Note payable	3,488,227	-	-
Landfill closure costs payable	-	223,333	-
Advance from other funds	-	-	-
Insurance claims payable	-	-	-
Customer deposits	720	-	160,961
Accrued interest	-	-	625,572
OPEB Liability	2,648	1,052	18,425
Compensated absences	30,887	62,424	24,407
Total noncurrent liabilities	<u>26,598,931</u>	<u>286,809</u>	<u>10,150,313</u>
Total liabilities	<u>34,727,849</u>	<u>955,778</u>	<u>12,486,348</u>
Net assets:			
Invested in capital assets, net of related debt	58,124,221	12,710,369	14,186,134
Restricted for debt service	1,954,672	-	245,028
Restricted for landfill long-term closure costs	-	100,862	-
Restricted for renewal and replacement	1,500,000	-	-
Unrestricted (deficit)	3,331,553	6,138,788	3,972,832
Total net assets	<u>64,910,446</u>	<u>18,950,019</u>	<u>18,403,994</u>
Total liabilities and net assets	<u>\$ 99,638,295</u>	<u>\$ 19,905,797</u>	<u>\$ 30,890,342</u>

The accompanying notes are an integral part of the financial statements.

<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 130,948	\$ 484,687	\$ 1,337,591	\$ 33,441
2,975	183,066	328,229	8,679
-	-	250,130	-
-	58,699	158,615	-
517,956	663,348	1,510,523	204,337
-	-	-	1,232,568
-	-	6,148,881	-
-	-	40,000	-
-	99,003	510,026	1,220
<u>651,879</u>	<u>1,488,803</u>	<u>10,283,995</u>	<u>1,480,245</u>
-	-	1,354,302	-
-	-	1,636,307	-
-	-	<u>2,990,609</u>	-
<u>651,879</u>	<u>1,488,803</u>	<u>13,274,604</u>	<u>1,480,245</u>
-	-	32,397,397	-
-	-	3,488,227	-
-	-	223,333	-
2,393,049	356,683	2,749,732	-
-	-	-	4,171,345
-	170,383	332,064	-
-	-	625,572	-
1,658	24,106	47,889	-
10,663	42,362	170,743	15,199
<u>2,405,370</u>	<u>593,534</u>	<u>40,034,957</u>	<u>4,186,544</u>
<u>3,057,249</u>	<u>2,082,337</u>	<u>53,309,561</u>	<u>5,666,789</u>
14,524,477	7,848,801	107,394,002	-
-	-	2,199,700	-
-	-	100,862	-
-	-	1,500,000	-
(1,576,371)	135,933	12,002,735	928,766
<u>12,948,106</u>	<u>7,984,734</u>	<u>123,197,299</u>	<u>928,766</u>
<u>\$ 16,005,355</u>	<u>\$ 10,067,071</u>	<u>\$ 176,506,860</u>	<u>\$ 6,595,555</u>

City of Key West, Florida
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds
For the year ended September 30, 2009

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Blight</u>
Operating revenues:			
Charges for services	\$ 11,647,936	\$ 9,282,866	\$ 6,500,198
Total operating revenues	<u>11,647,936</u>	<u>9,282,866</u>	<u>6,500,198</u>
Operating expenses:			
Personal services	396,845	750,390	1,253,735
Other operating expenses	5,324,931	6,198,128	2,837,247
Depreciation and amortization	3,876,724	156,920	770,889
Total operating expenses	<u>9,598,500</u>	<u>7,105,438</u>	<u>4,861,871</u>
Operating Income (loss)	<u>2,049,436</u>	<u>2,177,428</u>	<u>1,638,327</u>
Nonoperating revenues (expenses):			
Grant income (operating)	16,533	-	-
Investment earnings	216,811	250,425	70,732
Other income	2,325	11,927	100,355
Other expenses	(3,364)	-	(1,406)
Interest expense	<u>(1,231,211)</u>	<u>-</u>	<u>(621,381)</u>
Net nonoperating revenues (expenses)	<u>(998,906)</u>	<u>262,352</u>	<u>(451,700)</u>
Income (loss) before transfers and contributions	<u>1,050,530</u>	<u>2,439,780</u>	<u>1,186,627</u>
Transfers and contributions:			
Capital contributions	63,716	-	35,073
Transfers in	-	-	740,195
Transfers out	<u>(1,338,000)</u>	<u>(1,589,190)</u>	<u>(500,000)</u>
Total transfers and contributions	<u>(1,274,284)</u>	<u>(1,589,190)</u>	<u>275,268</u>
Change in net assets	(223,754)	850,590	1,461,895
Net assets, October 1	<u>65,134,200</u>	<u>18,099,429</u>	<u>16,942,099</u>
Net assets, September 30	<u>\$ 64,910,446</u>	<u>\$ 18,950,019</u>	<u>\$ 18,403,994</u>

The accompanying notes are an integral part of the financial statements.

<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 2,392,744	\$ 2,526,201	\$ 32,349,945	\$ 9,179,676
<u>2,392,744</u>	<u>2,526,201</u>	<u>32,349,945</u>	<u>9,179,676</u>
122,641	2,795,077	5,318,688	267,083
1,963,518	1,418,197	17,742,021	8,748,022
871,930	780,213	6,456,676	-
<u>2,958,089</u>	<u>4,993,487</u>	<u>29,517,385</u>	<u>9,015,105</u>
<u>(565,345)</u>	<u>(2,467,286)</u>	<u>2,832,560</u>	<u>164,571</u>
-	403,575	420,108	-
-	104,280	642,248	159,177
-	59,804	174,411	-
-	(1,151)	(5,921)	-
<u>(94,857)</u>	<u>(12,175)</u>	<u>(1,959,624)</u>	<u>-</u>
<u>(94,857)</u>	<u>554,333</u>	<u>(728,778)</u>	<u>159,177</u>
<u>(660,202)</u>	<u>(1,912,953)</u>	<u>2,103,782</u>	<u>323,748</u>
893,343	436,814	1,428,946	-
-	1,368,757	2,108,952	300,000
<u>(225,872)</u>	<u>(331,712)</u>	<u>(3,984,774)</u>	<u>-</u>
<u>667,471</u>	<u>1,473,859</u>	<u>(446,876)</u>	<u>300,000</u>
7,269	(439,094)	1,656,906	623,748
<u>12,940,837</u>	<u>8,423,828</u>	<u>121,540,393</u>	<u>305,018</u>
<u>\$ 12,948,106</u>	<u>\$ 7,984,734</u>	<u>\$ 123,197,299</u>	<u>\$ 928,766</u>

City of Key West, Florida
Statement of Cash Flows
Proprietary Funds
For the year ended September 30, 2009

	Sanitary Sewer System	Solid Waste	Key West Blight
Cash flows from operating activities:			
Cash received from customers	\$ 11,586,717	\$ 9,027,835	\$ 6,506,853
Cash paid to suppliers	(5,292,685)	(6,438,172)	(2,753,171)
Cash paid to employees	(408,214)	(720,712)	(1,233,381)
Other receipts	2,325	11,927	100,355
Net cash provided by (used in) operating activities	<u>5,888,143</u>	<u>1,880,878</u>	<u>2,620,656</u>
Cash flows from noncapital financing activities:			
Operating grants received	25,226	207,132	26,239
Advance/loan from (to) other funds	7,526	-	83,576
Interest paid on advances from other funds	-	-	-
Transfers in	-	-	740,195
Transfers (out)	(1,338,000)	(1,589,190)	(500,000)
Net cash provided by (used in) noncapital financing activities	<u>(1,305,248)</u>	<u>(1,382,058)</u>	<u>350,010</u>
Cash flows from capital and related financing activities:			
Proceeds of capital grants	1,553,384	27,619	87,095
Acquisition and construction of capital assets	(583,859)	(4,960,239)	(677,718)
Principal paid on revenue bonds	(950,000)	-	(441,078)
Interest paid	(1,177,463)	-	(1,117,991)
Payments on notes	(238,387)	-	-
Impact fees	44,988	48,150	-
Net cash provided by (used in) capital and related financing activities	<u>(1,351,337)</u>	<u>(4,884,470)</u>	<u>(2,149,692)</u>
Cash flows from investing activities:			
Investment earnings	252,763	306,470	63,739
Net cash flows provided by (used in) investing activities	<u>252,763</u>	<u>306,470</u>	<u>63,739</u>
Net increase (decrease) in cash, cash equivalents and investments	3,484,321	(4,079,180)	884,713
Cash, cash equivalents and Investments, October 1	<u>8,272,184</u>	<u>10,046,451</u>	<u>5,196,893</u>
Cash, cash equivalents and Investments, September 30	<u><u>\$ 11,756,505</u></u>	<u><u>\$ 5,967,271</u></u>	<u><u>\$ 6,081,606</u></u>
RECONCILIATION TO STATEMENT OF OF NET ASSETS:			
Cash, cash equivalents and investments	\$ 7,767,123	\$ 5,866,409	\$ 5,016,986
Restricted cash equivalents and investments	3,989,382	100,862	1,064,620
Cash, cash equivalents and investments	<u><u>\$ 11,756,505</u></u>	<u><u>\$ 5,967,271</u></u>	<u><u>\$ 6,081,606</u></u>

The accompanying notes are an integral part of the financial statements.

<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 2,682,839	\$ 2,533,136	\$ 32,337,380	\$ 9,187,924
(1,972,710)	(1,119,901)	(17,576,639)	(8,555,408)
(130,588)	(2,732,722)	(5,225,617)	(330,028)
-	59,804	174,411	-
<u>579,541</u>	<u>(1,259,683)</u>	<u>9,709,535</u>	<u>302,488</u>
(3,436)	407,996	663,157	-
(282,044)	(51,704)	(242,646)	-
(7,648)	-	(7,648)	-
-	1,368,757	2,108,952	300,000
<u>(225,872)</u>	<u>(331,712)</u>	<u>(3,984,774)</u>	<u>-</u>
<u>(519,000)</u>	<u>1,393,337</u>	<u>(1,462,959)</u>	<u>300,000</u>
1,343,225	743,939	3,755,262	-
(1,418,639)	(2,731,314)	(10,371,769)	-
-	-	(1,391,078)	-
-	-	(2,295,454)	-
-	-	(238,387)	-
-	-	93,138	-
<u>(75,414)</u>	<u>(1,987,375)</u>	<u>(10,448,287)</u>	<u>-</u>
-	104,280	727,252	186,070
-	104,280	727,252	186,070
(14,873)	(1,749,441)	(1,474,460)	788,558
<u>64,873</u>	<u>3,500,550</u>	<u>27,080,951</u>	<u>5,179,790</u>
<u>\$ 50,000</u>	<u>\$ 1,751,109</u>	<u>\$ 25,606,491</u>	<u>\$ 5,968,348</u>
\$ 50,000	\$ 1,751,109	\$ 20,451,627	\$ 5,968,348
-	-	5,154,864	-
<u>\$ 50,000</u>	<u>\$ 1,751,109</u>	<u>\$ 25,606,491</u>	<u>\$ 5,968,348</u>

City of Key West, Florida
Statement of Cash Flows
Proprietary Funds
(Continued)
For the year ended September 30, 2009

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ <u>2,049,436</u>	\$ <u>2,177,428</u>	\$ <u>1,638,327</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Other nonoperating revenues	2,325	11,927	100,355
Depreciation and amortization	3,876,724	156,920	770,889
Decrease (increase) in assets:			
Receivables	(25,616)	(206,509)	9,734
Interfund receivables	891	(425)	(705)
Prepaid expenses	-	-	-
Inventories	3,484	2,843	67,594
Increase (decrease) in liabilities:			
Accounts payable	28,762	(202,887)	74,983
Accrued payroll and related expenses	(12,442)	(12,006)	(45,226)
Interfund payables	-	-	-
Insurance claims payable	-	-	-
Landfill closure costs payable	-	(40,000)	-
Compensated absences	(2,467)	41,056	(10,639)
Deferred revenue	(35,602)	(48,521)	1,388
OPEB liability	2,648	1,052	18,425
Customer deposits	-	-	(4,469)
Total adjustments	<u>3,838,707</u>	<u>(296,550)</u>	<u>982,329</u>
Net cash provided by (used in) operating activities	\$ <u><u>5,888,143</u></u>	\$ <u><u>1,880,878</u></u>	\$ <u><u>2,620,656</u></u>

The accompanying notes are an integral part of the financial statements.

<u>Stormwater</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ <u>(565,345)</u>	\$ <u>(2,467,286)</u>	\$ <u>2,832,560</u>	\$ <u>164,571</u>
-	59,804	174,411	-
871,930	780,213	6,456,676	-
290,095	6,380	74,084	(37,895)
(30)	32,177	31,908	-
-	-	-	136,176
(4,201)	(9,448)	60,272	-
(4,992)	307,744	203,610	24,422
(622)	39,101	(31,195)	-
-	-	-	9,898
-	-	-	69,911
-	-	(40,000)	-
(8,952)	(33,028)	(14,030)	(62,945)
-	(3,313)	(86,048)	(1,650)
1,658	24,106	47,889	-
-	3,867	(602)	-
<u>1,144,886</u>	<u>1,207,603</u>	<u>6,876,975</u>	<u>137,917</u>
\$ <u><u>579,541</u></u>	\$ <u><u>(1,259,683)</u></u>	\$ <u><u>9,709,535</u></u>	\$ <u><u>302,488</u></u>

City of Key West, Florida
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2009

Assets:

Cash and cash equivalents	\$ 5,153,460
Investments, at fair value:	
Corporate and foreign bonds	13,411,708
U.S. government securities	14,012,375
Municipal obligations	2,508,218
Marketable equity securities	44,214,984
Alternative investments	5,162,239
Receivables:	
Interest and dividends	396,629
Due from governmental funds	329,439
Other	24,346
Equipment	2,905
Accumulated depreciation	(2,905)
Total assets	<u>85,213,398</u>

Liabilities:

Accounts payable	78,097
Accrued expenses	15,912
Deferred retirement option plan payable	4,003,840
Total liabilities	<u>4,097,849</u>

Net assets:

Held in trust for employees' pension benefits	\$ <u>81,115,549</u>
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The accompanying notes are an integral part of the financial statements

City of Key West, Florida
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended September 30, 2009

Additions:

Contributions:	
Employer	\$ 3,288,075
Members	1,268,318
State police and fire	445,345
Total contributions	<u>5,001,738</u>

Investment earnings (loss):

Net appreciation (depreciation) in fair value of investments	(636,603)
Interest and dividends	2,556,929
	<u>1,920,326</u>

Less investment expenses	448,203
Deferred retirement option plan participants earnings (loss)	(228,988)
Net investment earnings (loss)	<u>1,243,135</u>

Total additions	<u>6,244,873</u>
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Deductions:

Benefits paid	5,943,029
Administrative expense	290,872
Contributions refunded	118,468
	<u>6,352,369</u>

Total deductions	<u>6,352,369</u>
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Changes in net assets	(107,496)
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Net assets, October 1	<u>81,223,045</u>
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Net assets, September 30	<u>\$ 81,115,549</u>
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The accompanying notes are an integral part of the financial statements

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

1. Summary of Significant Accounting Policies

The City of Key West, Florida (the "City") is a municipal corporation incorporated in 1828. The City operates under a commission-manager form of government. The City provides services authorized by its charter, including public safety, public welfare, public improvements, planning and zoning, transportation, recreation, and general administrative services. The City complies with Accounting Principles Generally Accepted in the United States of America and those standards promulgated by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

In defining the City for financial reporting purposes, management has considered all potential component units. Component units are generally legally separate entities for which the primary government (the City) is financially accountable. A primary government is financially accountable for the potential component unit if it appoints a voting majority of the units governing board and is able to impose its will upon the potential component unit, or there is a possibility for the potential component unit to provide specific financial benefits or impose specific financial burdens on the primary government. Section B briefly reviews each potential component unit addressed in defining the City's reporting entity.

B. Individual Component Unit Disclosures

Discretely Presented Component Unit:

The Housing Authority of the City of Key West, Florida (KWHF or the Authority) was created by Florida Statute Chapter 421 and by resolution of the City in 1938. The primary purpose of KWHF is to provide affordable housing to low income, elderly and disabled families in Key West. Programs are administered through the Department of Housing and Urban Development. The Authority's Board, appointed by the City Commission as required by statute, has full administrative responsibilities. The City provides approximately \$ 425,000 of free sewer, solid waste and stormwater services annually to substantially all public housing facilities within the city limits. Except for these services and certain debt guarantees (Note 12), the City has no other obligations to KWHF. KWHF is considered a component unit of the City and is presented discretely in these financial statements. Financial information presented herein regarding KWHF reflects a December 31, 2008 year-end. Further information regarding KWHF, their financial statements, and their operations may be obtained by contacting them directly at: The Housing Authority of the City of Key West, Florida, 1400 Kennedy Drive, Key West, Florida 33045.

Other Organizations:

The Utility Board of the City of Key West, Florida, or Keys Energy Services, is an independent utility board created by Florida Statute Chapter 21 to manage, operate, and maintain the electric utility servicing the citizens of Key West and the Lower Keys. The Board is elected by the voters of the community. In accordance with bond resolution requirements, the City annually receives a return on the City's equity in the system, a sum equal to the greater of (a) \$200,000 (adjusted annually for changes in the Consumer Price Index) or (b) one percent (1%) of the gross revenues derived from sales of electricity at retail. For the fiscal year ended September 30, 2009, the City received payment in the amount of \$ 386,188. Keys Energy Services is not considered a component unit of the City.

Blended Component Unit:

The City under Florida Statute 163 created the Key West Local Redevelopment Agency (LRA). The City Commission sits as the governing body of the LRA. The LRA was created to facilitate the transfer of surplus naval property in the City of Key West. The LRA coordinated with the various agencies interested in acquiring the naval property to reach a consensus in the City's effort to acquire the property. The LRA continues to monitor the terms of the transfers. The LRA is presented as a Special Revenue Fund in these financial statements.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

1. Summary of Significant Accounting Policies (continued)

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Intergovernmental revenues are considered measurable when in the hands of an intermediate government agency. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Deferred revenues are reported on the City's balance sheet when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received before the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for the deferred revenue is removed from the balance sheet and revenue is recognized.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

1. Summary of Significant Accounting Policies (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the government's sewer, solid waste functions and various other functions of the government, if applicable. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: 1) charges to customers or applicants for goods, services, or privileges provided, rental income, licenses and permits, and fines and forfeitures, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The City recognizes as operating revenue the portion of impact fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the costs of sales and services, administration expenses, and provision for depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Infrastructure Surtax Fund accounts for the local government discretionary sales surtax, used for the development of infrastructure, acquisition of land, or protection of natural resources.

The Community Development Office Fund accounts for proceeds and disbursements of housing, economic, and urban development grants. This fund is managed by The Housing Authority of the City of Key West, Florida under a contractual agreement.

The Capital Projects Fund was established to account for financial resources expended on acquisition or construction of major capital facilities, other than those financed by proprietary funds and trust funds. Currently the fund has accumulated sufficient assets, through transfers from the infrastructure surtax fund, to begin the process of designing and constructing a new City Administration Building.

The City reports the following major proprietary funds:

The Sanitary Sewer System Fund accounts for the activities of the City's sewer treatment plant, sewage pumping stations and collection system.

The Solid Waste Fund accounts for the activities of the City's solid waste collection and disposal system.

The Key West Bight Fund accounts for the operations of the area known as the Key West Bight, which includes marina service, restaurants, and retail shops.

The Stormwater Fund accounts for the operation of the City stormwater collection process. This fund receives a significant amount of State and Federal assistance in the form of grants and has been determined by management to be a major fund.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

1. Summary of Significant Accounting Policies (continued)

Additionally, the City reports the following fund types:

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditures for specified purposes. These funds include the Law Enforcement Trust, Gas Tax, Fort Taylor, Affordable Housing Escrow, Local Redevelopment Agency, Bahama Village and Caroline Street, and Navy Pier Payments Funds.

Enterprise Funds - These funds are used to account for operations that are (1) financed primarily through user charges or (2) where the City has decided that the determination of net income is appropriate. These Funds include Garrison Bight and Transit System.

Internal Service Fund - This fund is used to account for goods or services provided by one department to other departments of the City on a cost measurement basis, in particular, the City's Insurance Fund.

Pension Trust Funds - These funds are used to account for assets held by the City in a trustee capacity as an agent of the Pension Trust Board. Pension trust funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. These funds include Police Officers and Firefighters Retirement Plan and the General Employees Retirement Plan.

E. Budgets and Budgetary Accounting

Florida Statutes require that all city governments prepare, adopt and execute an annual budget for such funds as may be required by law or by sound financial practices and generally accepted accounting principles. Accordingly, the City has established budgetary procedures.

The City adopts an operating budget on a generally accepted accounting principles basis for all governmental and proprietary funds except as noted below. All appropriations lapse at the end of the fiscal year. The City is not legally required to, and does not, adopt budgets for the pension funds nor does it adopt a budget for the Affordable Housing Escrow Fund.

Encumbrances represent commitments related to unperformed contracts or purchase orders for goods or services. Encumbrance accounting (under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation) is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities as the commitments will be honored during the subsequent year.

The legal level of control is at the major category level; i.e., personal services, operating, capital, debt service, aid to private organizations and transfers.

Budgetary Process:

Certain procedures are followed in establishing the budgetary data reflected in the financial statements:

Not later than 60 days prior to the end of the fiscal year, the City Manager submits to the Commission a proposed operating budget for the fiscal year commencing October 1. The budget is prepared by fund and major category (personal service, operating, capital, debt service, aid to private organizations and transfers) and includes the proposed expenditures and the means of financing them.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

1. Summary of Significant Accounting Policies (continued)

Two public hearings are conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance, unless an extension of time is authorized by the Florida Department of Revenue. The budget ordinance grants the City Manager discretion to effect certain budget changes as follows:

- The City Manager may increase the total fund budget by an amount not to exceed \$ 20,000. Beyond that, the City Commission must approve the increase by resolution.
- The City Manager may make unlimited transfers within a category within a fund.
- The City Manager may make transfers among categories up to \$ 20,000. Beyond that, the City Commission must approve the transfers by resolution.
- Any of the above actions must maintain a balanced budget.

The City Commission through the resolution process can amend the budget for any amount.

Key dates affecting the annual budget for the fiscal year ended September 30, 2009 were as follows:

- The Monroe County tax certificate sale for delinquent properties was held on May 31, 2008.
- The City received the Certification of Taxable Value from the County on June 25, 2008.
- The City Manager submitted proposed budgets to the Commission for public input at workshops held as follows:
 - General Fund review July 7, 2008
 - Other Funds review August 13, 2008
 - Utility Funds review August 14, 2008
- The Proposed Millage was filed with the Property Appraiser on July 25, 2008.
- The Notice of Proposed Property Taxes was sent to taxpayers by the County on August 1, 2008, which included the date for the first public hearing.
- The first public hearing on the tentative millage and budget was held on September 3, 2008.
- Newspaper advertisements providing a summary of all proposed budgets, a Notice of Tax Increase, and the date for the second public hearing were published on September 14, 2008.
- The second public hearing was held on September 16, 2008, at which the final property tax (millage) rate and budget were adopted.
- The TRIM (Truth in Millage) Certificate of Compliance package was submitted to the State of Florida October 10, 2008.

The General Fund reports its aid to private organizations account over budget by \$ 2,489,339 primarily as a result of \$ 2,407,000 spent towards the sinking of the artificial reef ship, "Vandenberg". These expenditures were fully reimbursed by grant proceeds, resulting in a favorable budget variance of approximately \$ 3.4 Million in intergovernmental revenue. The negative budget variance of \$ 8,000 in transfers out was a result of a transfer to the Community Development Office Fund to assist in management with costs related to affordable housing tasks they were assigned.

The Capital Projects Fund is over budget by \$ 1,300,000 in grants and aids. The payment was made in part as the City's contribution to the sinking of the artificial reef ship "Vandenberg". The over budget situation was covered by existing fund balance reserves.

The Law Enforcement Trust Fund reports expenditures in excess of budget of \$ 127,872 which is comprised of operating and capital expenditures amounting to \$ 119,057 and \$ 8,815, respectively. Only investment earnings were budgeted in this fund; therefore, revenues from fines and forfeitures covered these expenditures.

The Local Redevelopment Agency Fund reports expenditures in excess of budget in its personal services and operating expenditures accounts amounting to \$ 3,963 and \$ 30,661, respectively. Excess budget in capital expenditures covered these overages.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

1. Summary of Significant Accounting Policies (continued)

F. Deposits and Investments

Cash and cash equivalents are defined as demand deposits, money market accounts and other short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the government, as well as its component unit, are carried at fair value, which is based on quoted market prices. Unrealized gains and losses in fair value are recognized.

G. Receivables and Payables

The City of Key West recognizes receivables in its various funds based on the accounting basis required for that fund. Allowances are provided for possible uncollectible accounts.

During the course of operations, transactions occur which result in amounts owed to a particular fund by another fund, other than for goods provided or services rendered. These receivables and payables are due within a year and are classified as "interfund receivables/payables" on the balance sheet.

Non-current portions of interfund loans receivable/payable are reported as advances. Advances receivable in the governmental funds are offset equally by a fund balance reserve, which indicates that the amounts reserved do not constitute expendable available resources and are therefore not available for appropriation.

H. Prepaid Items

Prepays are recorded as assets when the initial payment is made. Each asset is then charged off against operations in the period benefited. These amounts are reserved in the governmental fund financial statements.

I. Inventories

Inventories are valued at cost, using the first-in/first-out (FIFO) method. Inventories for governmental and proprietary fund types are accounted for using the consumption method, wherein all inventories are maintained by perpetual records, expensed when used and adjusted by an annual physical count. A reservation of fund balance has been made for inventories in the governmental fund financial statements.

J. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Impact fees also are classified as restricted due to statutory limitations on their usage. Other accounts are restricted by local ordinance or other regulatory requirements, including monies set aside for future landfill long-term closure costs.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

1. Summary of Significant Accounting Policies (continued)

K. Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, machinery, equipment and furniture, and infrastructure assets (e.g., roads, drainage improvements, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and a estimated useful life in excess of two years. All assets are depreciated using the straight-line method of depreciation. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repair that does not add to the value of the asset or materially extend asset life is not capitalized. The estimated useful lives of the City's capital assets are as follows:

Machinery, equipment, and furniture	3-10 years
Buildings and improvements	10-30 years
Infrastructure	30-50 years

Major outlays for capital assets and improvements are capitalized as construction progresses. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. Interest incurred by the City during the current fiscal year was \$ 2,000,853. There was no capitalized interest during the year.

L. Compensated Absences

Under terms of civil service regulations, labor contracts, and administrative policy, regular, full-time and permanent employees are granted vacation and sick leave in varying amounts, which may be accumulated and paid upon separation from City service. Vacation time accrues at 10 to 20 days per year depending on years of service. Up to 240 hours of vacation time may be accumulated. Sick leave may be accumulated at a rate of 12 days per year up to a maximum of 720 hours. Both types of leave are payable at pay rates in effect at the date of separation. Hours paid vary based upon longevity and are in accordance with union contracts. The City reports the liability for compensated absences in the applicable governmental or business-type activities column in the government-wide financial statements when earned. Expenditures for compensated absences are recorded in the governmental funds only for employees who had terminated their employment as of the end of the fiscal year. In the case of proprietary fund financial statements, vested or accumulated vacation and sick leave, both current and non-current, is recorded as an expense and liability of the relevant proprietary fund as the benefits accrue to employees. No liability is recorded for non-vesting rights to personal leave.

M. Long-Term Obligations

In the government-wide financial statements and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Long-term debt is recognized as a liability in the governmental fund statements when due or when resources have been accumulated in the debt service fund for payment early in the following year. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

The City is currently in compliance with all federal arbitrage regulations.

N. Bond Discount, Premium and Issuance Cost

Discounts and premiums on revenue bonds payable and bond issuance costs within the proprietary funds are amortized using the interest method over the life of the bonds. Bond discounts and premiums are presented as an adjustment of the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

1. Summary of Significant Accounting Policies (continued)

O. Fund Balance

In the governmental funds, reservations of fund balances are reported to indicate that portion of fund balance that is legally segregated for specific purposes. Designations indicate tentative managerial plans or intent to use financial resources in a future period. Undesignated fund balance indicates the portion of fund balance that is available for future use.

P. Net Assets

Net assets represent the difference between assets and liabilities in the government-wide financial statements for business-type activities and all proprietary funds at the governmental funds level. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Q. Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits and Investments

A. Deposits

GASB Statement No. 40, Deposit and Investment Risk Disclosures requires governments to disclose deposits and investments exposed to custodial credit risk. For deposits, this is the risk that, in the event of the failure of a depository financial institution, a government may not be able to recover deposits nor be able to recover collateral securities that are in the possession of an outside party.

The City's deposits must be placed with banks and savings and loans which are qualified as public depositories prior to receipt of public monies under Chapter 280, Florida Statutes. In general, these deposits are insured by the FDIC up to \$ 500,000, \$ 250,000 for demand deposits and \$ 250,000 for time and savings deposits. Monies deposited in amounts greater than the insurance coverage are covered by the participation of the bank in the Florida Security for Public Deposits Act. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized with securities held by the entity or its agent in the entity's name.

At September 30, 2009, the carrying amount of the City's deposits was \$ 7,104,983, with a bank balance of \$ 7,635,407. Included in the carrying amount of deposits was \$ 7,730 cash on hand.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

2. Deposits and Investments (continued)

B. Investments

As of September 30, 2009 the carrying value of the City's cash, cash equivalents and investments, was as follows:

	Cash	Cash Equivalents	Investments	Total
Cash, cash equivalents and investments	\$ 7,104,983	\$ 1,330,586	\$ 57,449,137	\$ 65,884,706
Restricted cash equivalents and investments	-	3,349,305	2,204,430	5,553,735
	<u>\$ 7,104,983</u>	<u>\$ 4,679,891</u>	<u>\$ 59,653,567</u>	<u>\$ 71,438,441</u>

Investments maturing in 90 days or less from their purchase dates are classified as cash equivalents for financial reporting purposes.

As of September 30, 2009, the City's investment maturities and credit ratings were as follows:

	Market Value	Investment Maturities (in Months)					S & P. Credit Rating
		Less than 3	4 - 6	7 - 12	12 - 24	Over 25	
U.S. Government* and Government Sponsored Agency Obligations	\$ 53,406,255	\$ 1,328,954	\$ -	\$ 26,840,565	\$ 4,985,115	\$ 20,251,621	AAA, A-1+
Certificates of Deposit**	5,858,112	-	5,858,112	-	-	-	Not Rated
Money Market Mutual Funds	4,553,054	4,553,054	-	-	-	-	AAAm
Municipal Obligations	444,996	-	-	-	-	444,996	Not Rated
State Investment Pool Florida PRIME (Fund A)	68,482	68,482	-	-	-	-	AAAm
Fund B	2,559	-	-	-	-	2,559	Not Rated
	<u>\$ 64,333,458</u>	<u>\$ 5,950,490</u>	<u>\$ 5,858,112</u>	<u>\$ 26,840,565</u>	<u>\$ 4,985,115</u>	<u>\$ 20,699,176</u>	

* Includes \$ 19,986,282 in U.S. Treasury Notes which are not rated..

** Under GASB 40 these instruments are considered deposits and therefore; required disclosures are covered under Section A of this footnote.

As of September 30, 2009, the City's investments are distributed among funds as follows:

	Cash Equivalents	Investments
Governmental Funds:		
General Fund	\$ 63,715	\$ 6,634,947
Infrastructure Surtax Fund	46,926	4,886,644
Community Development Office Fund	55,796	100,000
Capital Projects Fund	104,594	10,891,825
Nonmajor Governmental Funds	109,614	11,414,633
	<u>380,645</u>	<u>33,928,049</u>

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

2. Deposits and Investments (continued)

	Cash Equivalents	Investments
Enterprise Funds:		
Sanitary Sewer System	2,341,380	8,958,927
Solid Waste	29,331	5,701,670
Key West Bight	1,859,900	3,917,746
Stormwater	442	46,003
Nonmajor Enterprise Funds	15,460	1,609,877
	<u>4,246,513</u>	<u>20,234,223</u>
Internal Service Fund	52,733	5,491,295
Total	\$ <u>4,679,891</u>	\$ <u>59,653,567</u>

Interest Rate Risk – To the extent possible, the City's investment policy limits the investment maturities of current operating funds to no longer than twenty-four months. Investments of bond reserves, construction funds and other non-operating funds shall not exceed five years. The investment policy also provides maturity limitations by investment type. The investments at September 30, 2009 meet the City's investment policy restrictions.

Credit Risk – The City's investment policy limits risk by restricting authorized investments to the following: Florida Local Government Surplus Funds Trust Fund (SBA), direct obligations of the United States or its agencies and instrumentalities, interest bearing time deposits or savings accounts, repurchase agreements, commercial paper, bankers' acceptances, state and/or local government taxable and/or tax-exempt debt, mutual funds and intergovernmental investment pools. The policy requires that investments in federal instrumentality debt be backed by the full faith and credit of the U.S. government; commercial paper and bankers' acceptances be rated A-1 by Standard & Poor's (S&P); state and/or local government debt be rated at least AA by S&P and mutual funds be rated AAm or better by S&P. At September 30, 2009, the City's portfolio rating is in compliance with its investment policy.

Concentration of Credit Risk – The City's investment policy establishes limitations on portfolio composition, both by investment type and by issuer, at original cost, in order to control concentration of credit risk. The policy provides the following maximum limits of the portfolio, in addition to limits in any one issuer of the portfolio invested:

<u>Investment Type:</u>	<u>Portfolio Maximum</u>	<u>Limits on Individual Issuer</u>
Florida Local Government Surplus Funds (SBA)	100%	-
U.S. Government Securities - Treasuries	100%	-
U.S. Government Agencies	50%	25%
Federal Instrumentalities - (U.S. Government Sponsored Agencies)	80%	40%
Certificates of Deposit	50%	25%
Repurchase Agreements	50%	25%
Commercial Paper	25%	15%
Bankers' Acceptances	25%	15%
State and/or Local Government Debt	20%	-
Money Market Mutual Funds	50%	25%
Intergovernmental Investment Pool	25%	-

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

2. Deposits and Investments (continued)

At September 30, 2009, the City's investment portfolio, excluding pension funds, and funds related to the issuance of debt, is as follows:

<u>Issue:</u>	<u>Percent of Investment Portfolio</u>
Florida Local Government Surplus Funds (SBA)	0.1%
U.S. Government Securities - Treasuries	31.1%
Federal Instrumentalities - (U.S. Government Sponsored Agencies)	51.9%
Certificates of Deposit	9.1%
State and/or Local Government Debt	0.7%
Money Market Mutual Funds	7.1%

GASB Statement 40 requires disclosure when the percentage is 5% or more in any one issuer. The investments in the Federal National Mortgage Association (Fannie Mae) are 19.70% (\$ 11,518,165), and Federal Home Loan Banks are 30.81% (\$ 18,014,379). Given the restriction to the highest rating, the additional concentration is not viewed to be an additional risk by the City.

Custodial Credit Risk – The City's investment policy requires execution of a third-party custodial safekeeping agreement for all purchased securities and requires that securities be held in the City's name. As of September 30, 2009, all of the City's investments are held in a bank's trust department in the City's name, nominee registration.

C. Investments - Pension Plans

As of September 30, 2009, the City's pension plans had the following investments:

	<u>General Employees Retirement Plan</u>	<u>Police Officers and Firefighters Retirement Plan</u>
Common Stock	\$ 20,141,258	\$ 20,751,312
U.S. Government Securities	5,292,209	8,720,166
Municipal Obligations	848,759	1,659,459
Corporate Bonds	5,020,176	7,991,548
State of Israel Bond	149,994	249,990
Alternative Investment	-	5,162,239
International Equity Fund	-	3,322,414
	<u>\$ 31,452,396</u>	<u>\$ 47,857,128</u>

As of September 30, 2009, the Plan's investment maturities and credit ratings were as follows:

General Employees Retirement Plan:

	<u>Market Value</u>	<u>Investment Maturities (in Years)</u>				<u>S. & P. Credit Rating</u>
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>	
U.S. Government Treasuries	\$ 784,672	\$ -	\$ -	\$ -	\$ 784,672	AAA
U.S. Government Agencies	2,151,485	-	489,858	245,404	1,416,223	AAA
U.S. Government Agencies Investment Pools	2,356,052	-	-	305,146	2,050,906	Not Rated
Municipal Obligations	848,759	-	-	-	848,759	AAA through A+
Corporate and Foreign Bonds	5,170,170	515,912	2,169,049	1,833,893	651,316	AA+ through A-
	<u>\$ 11,311,138</u>	<u>\$ 515,912</u>	<u>\$ 2,658,907</u>	<u>\$ 2,384,443</u>	<u>\$ 5,751,876</u>	

The General Employees Pension Plan includes \$ 2,234,218 (money market fund - AAAM) and \$ 81,711 (equity mutual fund - not rated) in cash equivalents with a maturity of less than 1 month.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

2. Deposits and Investments (continued)

Police Officers and Firefighters Retirement Plan:

	Market Value	Investment Maturities (in Years)				S. & P. Credit Rating
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Government Treasuries*	\$ 1,307,372	\$ -	\$ -	\$ -	\$ 1,307,372	-
U.S. Government Agencies*	7,412,794	-	1,226,380	894,075	5,292,339	-
Municipal Obligations	1,659,459	-	-	-	1,659,459	AAA through A-
Corporate and Foreign Bonds	8,241,538	590,697	3,274,053	3,458,121	918,667	AAA through A-
	<u>\$ 18,621,163</u>	<u>\$ 590,697</u>	<u>\$ 4,500,433</u>	<u>\$ 4,352,196</u>	<u>\$ 9,177,837</u>	

* Obligations of the U.S. Government or obligations explicitly or implicitly guaranteed by the U.S. Government are not considered to have credit risk and do not have purchase limitations.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates. Information about the sensitivity of the fair value of the plans' investments to market interest rate fluctuations are provided in the tables above.

Credit Risk - Credit risk is the risk that an investment portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Plans' policies utilize portfolio diversification in order to control this risk. Information about the portfolio ratings by investment type is provided in the tables above.

Concentration Credit Risk - The investment policy of the Plans contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. GASB Statement 40 requires disclosure when the percentage is 5% or more in any one issuer. The General Employees Retirement Plan invested in the Federal Home Loan Mortgage Corp. (Freddie Mac) representing 6.02% (\$ 2,031,418) and in Federal National Mortgage Association (Fannie Mae) representing 5.76% (\$ 1,946,625). Given the restriction to the highest rating, the additional concentration is not viewed to be an additional risk by the City. The Police Officers and Firefighters Retirement Plan had no individual investments that represent 5% or more of the Plan's total investments.

Custodial Credit Risk - Consistent with the Plans' investment policies, the investments are held by the Plans' custodial bank and registered in the Plans' name, nominee registration.

D. COMPONENT UNIT:

Deposits - Demand and time deposits classified as cash and cash equivalents are subject to FDIC coverage and insured in accordance with Florida Statute 280, which established the multiple financial institution collateral pool. At December 31, 2008, the Authority's book balance of cash was \$ 7,894,749 and the bank balance was \$ 8,346,109.

As of December 31, 2008, cash and cash equivalents are reported as follows:

Cash - unrestricted	\$ 5,196,746
Cash - restricted	<u>2,698,003</u>
	7,894,749
Certificates of Deposit - unrestricted	<u>150,000</u>
Total	<u><u>\$ 8,044,749</u></u>

In addition, the component unit's pension plan deposits amounting to \$ 121,429 are fully insured by the FDIC.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

2. Deposits and Investments (continued)

In addition, the component unit's pension plan deposits totaling \$ 121,429 fully insured by the FDIC.

Investments - The investments relative to the component unit are held under its Pension Trust Fund and are stated at fair value. The financial institution's accounts are insured by Securities Investor Protection Corporation (SIPC). The concerned financial institution has also obtained additional protection for the remaining net equity balance.

	Market Value
Vanguard Totl BD Mkt IDC-INV*	\$ 2,100,501
Vanguard Index TR 500 Port Mutual Fund*	951,432
Vanguard Total Intl Stock Index*	354,844
Other money market funds*	14,590
	<hr/>
Total	\$ 3,421,367

* Investment maturity is less than one year.

Interest rate risk - The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

Concentration credit risk - The Plan had three investments in a single organization that exceeded five percent of its net plan investments at year-end and noted above.

3. Receivables

Receivables at September 30, 2009 consist of the following:

Receivable Type	General	Special Revenue	Enterprise	Internal Service	Fiduciary	Total
Interest and dividend	\$ -	\$ -	\$ 915	\$ -	\$ 396,629	\$ 397,544
Account	491,998	367	4,419,446	545,848	-	5,457,659
Mortgage notes	-	2,430,456	-	-	-	2,430,456
Intergovernmental	520,444	1,690,882	1,773,549	-	-	3,984,875
Other	-	-	-	-	24,346	24,346
Gross receivables	1,012,442	4,121,705	6,193,910	545,848	420,975	12,294,880
Less allowance for uncollectible	-	1,116,818	1,654,864	-	-	2,771,682
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net receivables	\$ 1,012,442	\$ 3,004,887	\$ 4,539,046	\$ 545,848	\$ 420,975	\$ 9,523,198

As of September 30, 2009, additional receivables were recorded under the government-wide financial statements as follows:

Accounts	\$ 20,198
Intergovernmental:	
Department of Homeland Security - FEMA	969,052
State of Florida Department of Transportation	741,676
Florida Executive Office of the Governor	407,350
Department of Justice	54,198
State of Florida Department of Environmental Protection	3,226
Monroe County Department of Tourist Development	77,333
	<hr/>
	2,252,835
	<hr/>
Total	\$ 2,273,033

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

3. Receivables (continued)

Property taxes are levied November 1st on property valued as of the previous 1st of January. The Tax Collector of Monroe County, Florida, bills and collects property taxes on behalf of the City. The tax rate, to finance general governmental services for the fiscal year ended September 30, 2009, was 2.2794 per \$ 1,000 of assessed taxable property value. The final taxable value amounted to \$ 6,631,008,272. Property tax revenues are recognized when they become available. Available means 1) when due, or past due and receivable within the current period, and 2) collected within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Taxes relating to the current budget and collected within 60 days after the fiscal year end are recognized as revenue currently. Property taxes are due for payment on March 31st and become delinquent on April 1st. At September 30, 2009, there were no material property tax receivables.

Accrued interest and dividends receivable consists of earnings on investments earned but not received at the end of the year. General Fund accounts receivable consist mainly of rents and transportation (cruise ships) revenues. The enterprise funds reflect customer accounts receivable for goods and services rendered. Internal Service Fund accounts receivable balance consists of excess claims paid but receivable from insurance carriers.

The Community Development Office Special Revenue Fund exists to account for grant revenues available to finance the development of the City's economic environment. Mortgage receivables under these programs are presented in more detail below. The allowance for uncollectible accounts of \$ 1,116,818 shown below is related to grant provisions allowing for contractual forgiveness of repayment.

Detailed information on Community Development Office Fund mortgages receivable appears below:

Frederick Douglas Square Project (HODAG)	\$	2,233,635
Homebuyer Assistance Program		79,633
Mayor's Revolving Loan Fund (Low Interest)		<u>117,188</u>
Gross mortgages receivable		2,430,456
Less allowance for uncollectible mortgages		<u>1,116,818</u>
Net mortgages receivable	\$	<u><u>1,313,638</u></u>

Intergovernmental receivables as of September 30, 2009 are comprised of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Total</u>
Federal Grants and Entitlements:				
Department of Homeland Security - FEMA	\$ 154,571	\$ 340,792	\$ 850,669	\$ 1,346,032
Department of Housing and Urban Development	-	234,406	-	234,406
Department of Transportation	-	-	162,247	162,247
Department of Justice	14,528	-	-	14,528
Department of Army	-	-	63,716	63,716
State Grants - Florida:				
Department of Transportation	-	458,663	7,117	465,780
Department of Community Affairs	-	8,743	-	8,743
Department of Environmental Protection	-	-	689,800	689,800
Other	-	43,440	-	43,440

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

3. Receivables (continued)

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Total</u>
State Shared Revenues:				
Infrastructure Surtax	-	394,889	-	394,889
Sales Tax (1/2 Cent)	195,216	-	-	195,216
Local Communications Tax	145,388	-	-	145,388
Local Option Gas Tax	-	114,142	-	114,142
Other	-	8,374	-	8,374
Local Units:				
Monroe County	10,741	87,433	-	98,174
Totals	<u>\$ 520,444</u>	<u>\$ 1,690,882</u>	<u>\$ 1,773,549</u>	<u>\$ 3,984,875</u>

COMPONENT UNIT:

Accounts receivable represent amounts due from tenants (dwelling rents) of \$ 38,824 net of allowance for uncollectibles of \$ 1,670. Intergovernmental receivables of \$ 409,303 represent amounts due from the federal government.

4. Changes in Capital Assets

Capital asset activity for fiscal year ended September 30, 2009 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>CIP/Adjustments Increases (Decreases)</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 53,186,804	\$ -	\$ -	\$ -	\$ 53,186,804
Construction in progress	428,813	2,381,139	-	(81,025)	2,728,927
Total capital assets, not being depreciated	<u>53,615,617</u>	<u>2,381,139</u>	<u>-</u>	<u>(81,025)</u>	<u>55,915,731</u>
Capital assets, being depreciated:					
Buildings and improvements	13,718,604	174,322	-	(32,162)	13,860,764
Machinery, equipment and furniture	17,254,543	1,089,406	(927,075)	(266,041)	17,150,833
Infrastructure	30,789,269	391,855	(6,388)	379,228	31,553,964
Total capital assets, being depreciated	<u>61,762,416</u>	<u>1,655,583</u>	<u>(933,463)</u>	<u>81,025</u>	<u>62,565,561</u>
Less accumulated depreciation for:					
Buildings and improvements	5,363,741	515,191	-	-	5,878,932
Machinery, equipment and furniture	10,224,364	1,898,408	(865,109)	-	11,257,663
Infrastructure	16,339,657	1,358,158	(6,114)	-	17,691,701
Total accumulated depreciation:	<u>31,927,762</u>	<u>3,771,757</u>	<u>(871,223)</u>	<u>-</u>	<u>34,828,296</u>
Total capital assets, being depreciated, net	<u>29,834,654</u>	<u>(2,116,174)</u>	<u>(62,240)</u>	<u>81,025</u>	<u>27,737,265</u>
Governmental activities capital assets, net	<u>\$ 83,450,271</u>	<u>\$ 264,965</u>	<u>\$ (62,240)</u>	<u>\$ -</u>	<u>\$ 83,652,996</u>

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

4. Changes in Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>CIP/Adjustments Increases (Decreases)</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 18,681,034	\$ -	\$ -	\$ -	\$ 18,681,034
Construction in progress	<u>7,912,006</u>	<u>8,666,052</u>	<u>-</u>	<u>(12,226,394)</u>	<u>4,351,664</u>
Total capital assets, not being depreciated	<u>26,593,040</u>	<u>8,666,052</u>	<u>-</u>	<u>(12,226,394)</u>	<u>23,032,698</u>
Capital assets, being depreciated:					
Buildings and improvements	38,973,282	-	(1,258)	8,799,409	47,771,433
Infrastructure	128,741,221	16,355	(10,001)	3,426,985	132,174,560
Machinery, equipment and furniture	<u>17,543,672</u>	<u>274,499</u>	<u>(575,494)</u>	<u>-</u>	<u>17,242,677</u>
Total capital assets, being depreciated	185,258,175	290,854	(586,753)	12,226,394	197,188,670
Less accumulated depreciation for:					
Buildings and improvements	22,478,465	1,319,028	(690)	-	23,796,803
Infrastructure	32,782,346	4,272,654	(8,652)	-	37,046,348
Machinery, equipment and furniture	<u>14,231,969</u>	<u>801,801</u>	<u>(571,486)</u>	<u>-</u>	<u>14,462,284</u>
Total accumulated depreciation:	<u>69,492,780</u>	<u>6,393,483</u>	<u>(580,828)</u>	<u>-</u>	<u>75,305,435</u>
Total capital assets, being depreciated, net	<u>115,765,395</u>	<u>(6,102,629)</u>	<u>(5,925)</u>	<u>12,226,394</u>	<u>121,883,235</u>
Business-type activities capital assets, net	\$ <u>142,358,435</u>	\$ <u>2,563,423</u>	\$ <u>(5,925)</u>	\$ <u>-</u>	\$ <u>144,915,933</u>

Total depreciation expense for the current fiscal year amounted to \$ 10,165,240. The estimated useful lives of the City's capital assets are as follows:

Machinery, equipment and furniture	3-10 years
Buildings and improvements	10-30 years
Infrastructure	30-50 years

For the year ended September 30, 2009, depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 1,824,570
Public safety	1,069,411
Culture and recreation	330,932
Transportation	483,068
Physical environment	62,576
Human services	<u>1,200</u>
Total depreciation expense - governmental activities	\$ <u>3,771,757</u>

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

4. Changes in Capital Assets (continued)

Business-type activities:	
Sanitary sewer system	\$ 3,840,239
Solid waste	156,920
Key West Bight	744,181
Garrison Bight	196,890
Transit system	583,323
Stormwater	<u>871,930</u>
Total depreciation expense - business-type activities	<u>\$ 6,393,483</u>

COMPONENT UNIT:

The following summarizes capital assets from the Key West Housing Authority's proprietary fund at December 31, 2008:

Land	\$ 8,774,707
Buildings and improvements	47,265,840
Infrastructure	1,167,753
Equipment	863,500
Construction in progress	<u>7,519</u>
Total fixed assets	58,079,319
Less accumulated depreciation	<u>19,411,545</u>
Net capital assets	<u>\$ 38,667,774</u>

Total depreciation expense for the current fiscal year amounted to \$ 1,165,372. The estimated useful lives of the Authority's capital assets are as follows:

Equipment	5-10 years
Buildings and improvements	15-40 years
Infrastructure	30-50 years

5. Restricted Assets

The use of certain assets of the Sanitary Sewer System and Key West Bight Funds are restricted by specific provisions of bond ordinances. These amounts are \$ 3,989,382 and \$ 1,064,620, respectively. The Solid Waste Fund has restricted assets of \$ 100,862 as part of its landfill post closure care requirements. The use of certain assets of the Gas Tax Fund are restricted by specific impact fee usage restrictions, these assets total \$ 398,871. Assets so designated are identified as restricted assets on the balance sheet and statement of net assets.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

6. Pension Plans

General Employees Retirement Plan and Police Officers and Firefighters Retirement Plan

Plan Descriptions - The City contributes to two single-employer defined benefit pension plans: the General Employees Retirement Plan and the Police Officers and Firefighters Retirement Plan. Each plan provides retirement, disability, and death benefits to plan members and beneficiaries. Part II of the Code of Ordinances, Title I (Administration), Section 5 (Pension) assigns the sole and exclusive administration of and the responsibility for the proper effective operation of the retirement plans to the Board of Trustees of each retirement plan. All changes recommended by the board are subject to Commission approval. Both retirement boards issue a publicly available report that includes financial statements and required supplementary information. Either financial report may be obtained by writing to Pension Plan Administrator, Post Office Box 1409, Key West, Florida 33041-1409.

Summary of Significant Accounting Policies - The financial statements of the plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plans are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Plans' investments are reported at their fair value. Fair value is defined as the amount the plans would realize from a current sale to a willing buyer and is based on available market values.

These retirement plans do not have long-term contracts for contributions. As of September 30, 2009, neither pension plan has investments greater than five percent (5%) of plan net assets in any one issuer other than certain investments in U.S. Government Agency Securities.

Funding Policy and Annual Pension Cost - The Board of Trustees make plan amendment recommendations to the City Commission for approval. Employees' contribution rates are established through collective bargaining agreements. The City's contribution rate is determined annually through an actuarial evaluation. The Police Officers and Firefighters Retirement Plan also receives contributions from the State of Florida. The City received \$ 445,345 from the state that was generated from the insurance premium tax as part of the required funding for The Police and Firefighters Retirement Plan and recorded revenues and expenditures in the General Fund, as appropriate. The City's annual pension cost for the year ended September 30, 2009 and related information for the plans are provided herein.

For the year ended September 30, 2009, and based on actuarial valuations, the retirement plans costs are as follows:

	<u>General Employees Retirement Plan</u>	<u>Police Officers and Firefighters Retirement Plan</u>
Contribution rates :		
City	6.9%	20.9%
State	0.0%	5.6%
Plan members	6.0%	7.0%
Annual City pension cost	\$ 760,081	\$ 2,472,442
City contributions made	\$ 1,265,869	\$ 2,022,206

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

6. Pension Plans (continued)

For the year ended September 30, 2009, the contribution information is as follows:

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan
Annual Required Contribution (ARC)	\$ 745,087	\$ 2,467,552
Interest on net pension obligation (asset)	(136,155)	(48,000)
Adjustment to ARC	<u>151,149</u>	<u>52,890</u>
Annual pension cost	760,081	2,472,442
City and state contributions	<u>(1,265,869)</u>	<u>(2,467,551)</u>
(Increase) decrease in net pension obligation (asset)	(505,788)	4,891
Net pension obligation (asset), beginning of year	<u>(1,701,943)</u>	<u>(581,815)</u>
Net pension obligation (asset), end of year	<u>\$ (2,207,731)</u>	<u>\$ (576,924)</u>
Actuarial valuation date	10/01/2008	10/01/2008
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level dollar amount, closed	Level payment, closed
Remaining amortization period	30 years	30 years
Asset valuation method	Five year smoothed market	Five year smoothed market
Actuarial assumptions:		
Investment rate of return	8.0%	8.25%
Projected salary increases	6.0% - 25.0%	5.50%
Includes inflation at	4.0%	4.00%
Cost-of-living adjustments	None	None
Changes since last valuation	None	None

Three-Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
<u>General Employees Retirement Plan:</u>			
9/30/07	\$ 970,491	129%	\$ (1,275,361)
9/30/08	\$ 904,782	147%	\$ (1,701,943)
9/30/09	\$ 760,081	167%	\$ (2,207,731)
<u>Police Officers and Firefighters Retirement Plan:</u>			
9/30/07	\$ 2,649,069	100%	\$ (586,749)
9/30/08	\$ 2,481,358	100%	\$ (581,815)
9/30/09	\$ 2,472,442	100%	\$ (576,924)

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

6. Pension Plans (continued)

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded / (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>General Employees Retirement Plan (dollars in thousands):</u>						
10/1/06	\$ 28,266	\$ 28,258	\$ (8)	100.0%	\$ 10,882	(0.1%)
10/1/07	\$ 32,278	\$ 30,435	\$ (1,843)	106.1%	\$ 11,705	(15.7%)
10/1/08	\$ 35,149	\$ 32,085	\$ (3,064)	109.5%	\$ 10,982	(27.9%)
<u>Police Officers and Firefighters Retirement Plan (dollars in thousands):</u>						
10/1/06	\$ 48,066	\$ 57,645	\$ 9,579	83.4%	\$ 10,277	93.2%
10/1/07	\$ 53,303	\$ 61,829	\$ 8,526	86.2%	\$ 9,780	87.2%
10/1/08	\$ 56,358	\$ 65,189	\$ 8,831	86.5%	\$ 9,293	95.0%

A net pension asset has been recorded in the government-wide statements in accordance with the net pension valuations amounting to \$ 2,784,655.

COMPONENT UNIT:

Retirement System for Employees of the Housing Authority of the City of Key West, Florida

Plan Description – The Authority maintains a single-employer defined benefit pension plan (the “Plan”) administered by a Board of Trustees consisting of the Authority’s Executive Director, three employees, and its Chairman. Retirement, disability, and death benefits are provided to plan members and beneficiaries. KWHH holds the authority to establish and amend benefit provisions. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to The Housing Authority of the City of Key West, Florida, 1400 Kennedy Drive, Key West, Florida 33045.

Summary of Significant Accounting Policies - The Plan uses the accrual basis of accounting. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan investments are reported at their fair value. Securities and U.S. Government obligations traded on a national exchange or similar market are valued at the last reported sales price. The Plan had three investments in a single organization that exceeded five percent (5%) of its net plan investments at December 31, 2008. The investments consisted of a fixed income Vanguard mutual fund with a fair value of \$ 2,100,501 and two equity Vanguard mutual funds with fair values of \$ 951,432 and \$ 354,844.

The Plan does not have any long-term contracts for contributions.

Funding Policy and Annual Pension Cost - The contribution requirement of the KWHH’s Plan is approved annually by the KWHH Board of Commissioners. Plan members shall not make any contributions to the Plan. KWHH is required to contribute at an actuarially determined rate; the current rate is 15% of covered payroll. KWHH’s annual pension cost for the year ended December 31, 2008 and related information for the Plan is provided herein.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

6. Pension Plans (continued)

For the year ended December 31, 2008, the retirement plan costs are as follows:

	<u>Housing Authority Employees Retirement Plan</u>
Contribution rate:	
KWAH	15.0%
Annual KWAH pension cost	\$342,045
KWAH contribution made	\$363,044

For the year ended December 31, 2008, the contribution information is as follows:

Annual Required Contribution (ARC)	\$ 340,638
Interest on net pension obligation (asset)	(12,753)
Adjustments to ARC	<u>14,160</u>
Annual pension cost	342,045
KWAH contributions	<u>(363,044)</u>
Increase (decrease) in net pension obligation (asset)	(20,999)
Net pension obligation (asset), beginning of year	<u>(159,410)</u>
Net pension obligation (asset), end of year	\$ <u><u>(180,409)</u></u>
Actuarial valuation date	01/01/08
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	30 years
Asset valuation method	Five year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	4.50%
Includes inflation at	3.50%
Cost-of-living adjustments	1.50%
Change since last valuation	None

Three-Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent of APC Contributed</u>	<u>Net Pension Obligation(Asset)</u>
<u>Housing Authority Employees Retirement Plan:</u>			
12/31/06	\$ 285,087	100%	\$ (95,229)
12/31/07	\$ 309,766	121%	\$ (159,410)
12/31/08	\$ 342,045	106%	\$ (180,409)

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

6. Pension Plans (continued)

Schedule of funding progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded / (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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Housing Authority Employees Retirement Plan (dollars in thousands):

1/1/07	\$ 3,596	\$ 4,565	\$ 969	78.8%	\$ 2,039	47.5%
1/1/08	\$ 3,959	\$ 5,021	\$ 1,062	78.8%	\$ 2,277	46.6%
1/1/09	\$ 3,957	\$ 5,908	\$ 1,951	67.0%	\$ 2,461	79.3%

7. Other Post-Employment Health Care Benefits

GASB Statement No. 45: *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* ("OPEB"), established new accounting standards for postretirement benefits. The new standard does not require funding of OPEB expense, but any difference between the annual required contribution ("ARC") and the amount funded during the year is required to be recorded in the employer's Statement of Net Assets as an increase (or decrease) in the OPEB obligation. Recognition of the liability accumulated for prior years will be phased in over 30 years, commencing with the 2009 liability. The effective date to implement GASB 45 for the City is the current fiscal year and accordingly, the City did obtain an actuarial valuation in accordance with the standards of the Statement.

Plan Description and Funding Policy

Employees who retire from the City and their dependents are eligible to continue to participate ("single employer plan") in the City's health insurance plan (medical and prescription) currently offered through the City at the "blended" employee group rate which, is determined annually by the City. The retiree must continue to meet all participation requirements and pay all applicable premiums by the specified due date. Life insurance and dental benefits are portable and the retiree must pay premiums to the carrier directly. As of September 30, 2009, there are 32 participating retirees in the group health program.

The City provides no funding for any portion of the premiums after retirement. However, the City recognizes that there is an "implicit subsidy" arising as a result of the blended rate premium since retiree health care costs, on average, are higher than active employee healthcare costs. The plan is not accounted for as a trust fund and an irrevocable trust has not been established to fund this plan. The plan does not issue a separate financial report. It is the City's current policy to fund the plan on a "pay-as-you-go" basis.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

7. Other Post-Employment Health Care Benefits (continued)

Funded Status

The funded status of the plan as of September 30, 2009 was as follows:

Development of Annual Required Contribution (ARC)

Actuarial accrued liability	\$	4,182,889
Actuarial value of assets	\$	--
Development of ARC:		
Employer normal cost	\$	355,403
Amortization of unfunded actuarial accrued liability		142,864
Total ARC for fiscal year September 30, 2009		498,267
Employer contributions		(97,395)
Increase in net OPEB obligation		400,872
Net OPEB obligation, October 1, 2008		--
Net OPEB obligation, September 30, 2009	\$	400,872
Covered payroll	\$	19,091,382
Unfunded actuarial accrued liability as a percentage of covered payroll		21.9%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, usually presented as required supplementary information following the notes to the financial statements, highlights multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits. Since this is the first year of implementation, no prior year information is available.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the Plan members at that point. Actuarial calculations reflect a long term perspective and employ methods and assumptions that are designed to reduce the short term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions used for the valuation are as follows:

Measurement date:	September 30, 2009
Actuarial cost method:	Entry age normal
Amortization method:	Level percent, open
Amortization period:	30 years
Asset valuation method:	Market value
Actuarial Assumptions:	
Investment rate of return	4.00%
Projected salary increases	5.50% - 25.00%
Payroll growth rate	4.00%
Discount rate:	4.00%
Healthcare cost trend rate:	9.00% reduced linearly to 5.00% by 2018, and remaining at 4.50% for fiscal 2019 and thereafter.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

8. Deferred Compensation Plans

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. All assets and income of Internal Revenue Code Section 457 deferred compensation plans are held in trust, custodial accounts, or annuity contracts, for the exclusive benefit of the participants and their beneficiaries. Private corporations under contracts with the City administer the assets of the City's plans. Consequently, those plans' assets and liabilities are not recorded on the City's financial statements.

9. Risk Management

Liability and Worker Compensation Claims -The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On February 1, 1978, the City established a self-insurance program for workers' compensation. The Insurance Programs Fund, an internal service fund, was created to account for and finance uninsured risks of loss. On October 1, 1988, the Insurance Programs Fund was expanded to include the City's liability and property insurance. During fiscal year 2009, a total of approximately \$ 2,282,000 was incurred/paid in benefits and claims. In fiscal year 2009, the fund provided coverage up to \$ 325,000 for each worker's compensation claim, \$ 100,000 per occurrence for public officials and employee benefits liability, \$25,000 per claim for crime coverage, \$ 100,000 for each auto/general liability claim, and \$ 50,000 for each property claim other than wind and flood. The City purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years, except as discussed in Note 16 regarding the City's settlement on violations of the Commerce Clause of the U.S. Constitution.

Self insurance retention, per occurrence, for wind is 5% of building and/or contents, plus \$ 1,000,000 covered by Citizens Property Insurance Corporation (Citizens). Self insurance retention, per occurrence, for flood is \$ 1,500,000 of which \$ 500,000 is covered by the National Flood Insurance Program.

Obtaining quality property insurance in the State of Florida, and in particular Key West, has become extremely difficult. Due to the potential of catastrophic losses caused by wind and flood, many insurers have discontinued offering any form of property insurance within the State. Those that have continued have significantly reduced the amount of protection they are willing to provide and imposed significant deductibles for losses caused by wind and flood events.

In an effort to provide affordable flood insurance, the Federal Government established the National Flood Insurance Program (NFIP). Under the Program, participating insurers can receive a maximum \$ 500,000 reimbursement from the Federal Government for flood losses.

The State established Citizens, which offers affordable wind insurance to citizens and businesses located in Florida. The maximum limits per building that Citizens offers are \$ 1 million.

The City utilizes both the NFIP and Citizens to supplement its property insurance program which allows the City to purchase protection for most foreseen events at a cost equal or below other organizations located in Florida.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

9. Risk Management (continued)

All funds of the City participate in the program and make payments to the Insurance Programs Fund based on estimates of the amounts needed to pay prior and current year claims, establish reserves for future claims and provide for administrative costs of the program. Interfund premiums are based upon the insured funds' number of employees and value of facilities and are reported as quasi-external interfund transactions. A liability for worker's compensation, general liability and property claims of \$ 5,403,913 is reported in the fund at September 30, 2009. This amount has been discounted to present value at an assumed investment rate of 3.0%, and a 50% probability level. Changes in the fund's workers compensation, general liability and property claims on an undiscounted basis during the past three years ended September 30, 2009 are as follows (in thousands):

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Claims Incurred</u>	<u>Estimates for Prior Claims</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2007	\$ 4,120	\$ 1,631	\$ 241	(\$ 1,155)	\$ 4,837
2008	\$ 4,837	\$ 2,102	\$ 435	(\$ 1,315)	\$ 6,059
2009	\$ 6,059	\$ 1,931	\$ 1,927	(\$ 3,672)	\$ 6,245

In the last three fiscal years, worker's compensation claims have increased dramatically. Until these claims can be reduced and brought under control, the City will continue to see annual increases in its actuarial liability. Programs have been put in place to help address the situation through employee education and involvement.

Health Insurance - The Insurance Programs Fund is also used to fund monthly health insurance premiums. In April 1997, the City converted from a flexible funded health insurance program to a fully insured pay-as-you-go program. The Insurance Programs Fund receives its health insurance contributions from bi-weekly payroll deductions and employer contributions, which are sufficient to meet its monthly premium requirements.

10. Accrued Compensated Absences

Accrued expenditures/expenses at September 30, 2009 include compensated absences based on actual earned hours times pay rates in effect at year-end. These amounts are recorded in the governmental fund financial statements for those employees who have terminated their employment as of the end of the fiscal year. In the proprietary fund financial statements, compensated absences are fully recorded and classified as current and long-term based on their expected repayment schedule. The Statement of Net Assets, at the government-wide financial statements level, reports the liability when earned for both governmental activities and business-type activities. These amounts are then classified as current or long-term depending upon expected repayment terms. Total accrual at September 30, 2009 was \$ 3,582,556 for all funds.

The General Fund is used to liquidate the liability for compensated absences for those governmental activities.

11. Construction and Other Significant Commitments

A. Construction Commitments

The following table presents the significant construction commitments outstanding at September 30, 2009:

	<u>Remaining Construction Commitment</u>
Infrastructure Surtax Fund:	
Beach re-nourishment	\$ 258,201
Malory Square	\$ 1,659,330
Gas Tax Fund:	
Flagler Avenue	\$ 955,229

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

11. Construction and Other Significant Commitments (continued)

	<u>Remaining Construction Commitment</u>
Capital Project Fund:	
City administration building	\$ 681,674
Sanitary Sewer System Fund:	
Diffused air engineering	\$ 135,785
Diffused air - construction	\$ 3,982,000
Stormwater Fund:	
Flow improvements construction	\$ 172,417
Pump assist outfall	\$ 162,683
Solid Waste Fund:	
Transfer station engineering	\$ 148,191
Garrison Bight Fund:	
Amberjack pier replacement	\$ 159,878
Transit System Fund:	
Bus facility engineering	\$ 621,827

B. Landfill Closure

The City had previously received notification from the Florida Department of Environmental Protection (FDEP) that its landfill had been considered officially closed as of April 26, 1996. For the current year, for FDEP financial assurance costs estimate purposes, the City chose to update the maximum cost estimate by using an inflationary factor of 1.020%. By using this factor the City reported to the FDEP an inflation adjusted long-term care cost estimate of \$ 621,089 for the remaining 7 years. In accordance with the landfill long-term care escrow agreement between the City of Key West and the Florida Department of Environmental Protection, the City has set aside in a restricted cash account with First State Bank of the Florida Keys the amount of \$ 100,862 as of September 30 2009, which represents more than the required annual amount of \$ 88,727. There were no deposits or withdraws from this account during the fiscal year other than earned interest.

Based on historical information the City amortizes approximately \$ 40,000 per year in landfill closure cost payables (\$ 263,333 balance as of September 30, 2009) of which \$ 223,333 remain as a future long-term payable at September 30, 2009.

C. Operating Leases

The City is a lessee in a non-cancellable operating lease for office space expiring in August 2010. This agreement is payable in monthly installments of approximately \$ 10,500 plus common area maintenance. The base rent increases annually by 4% and provides for three two-year renewal options. Total rent expense in connection with this agreement was approximately \$ 141,700. In addition, the City leases office equipment under various agreements at approximately \$ 7,500 per month, plus excess usage charges, through October 2011 and at lesser amounts thereafter until May 2012.

Minimum future rental payments relative to these agreements at September 30, 2009 are approximately as follows:

<u>Year Ending September 30,</u>		
2010	\$	176,029
2011	\$	17,673
2012	\$	5,906
Thereafter	\$	NONE

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

12. Long-Term Debt and Liabilities

The following is a summary of changes in long-term liabilities. Bonds, notes, insurance claims and compensated absences have changed as follows:

	Balance October 1, 2008	Additions	Amortization/ Retirements	Balance September 30, 2009	Due Within One Year
Governmental Activities:					
Note payable	\$ 1,613,815	\$ -	\$ 147,058	\$ 1,466,757	\$ 147,058
Insurance claims payable	5,333,999	69,914	-	5,403,913	1,232,568
Compensated absences	3,195,723	2,106,090	2,080,568	3,221,245	2,065,391
Total governmental activities	<u>10,143,537</u>	<u>2,176,004</u>	<u>2,227,626</u>	<u>10,091,915</u>	<u>3,445,017</u>
Business-Type Activities:					
Sewer Revenue Bonds, Series 2003	25,685,000	-	950,000	24,735,000	975,000
Marina Revenue Bonds, Series 1993 and 1997	10,211,647	-	441,079	9,770,568	415,060
Note payable, State Revolving Loan	3,972,861	-	238,387	3,734,474	246,247
Deferred amounts:					
Issuance discounts	(33,460)	-	(6,318)	(27,142)	-
Issuance premiums	197,246	-	17,227	180,019	-
Losses on early retirement	(968,521)	-	(97,533)	(870,988)	-
Total notes and bonds	39,064,773	-	1,542,842	37,521,931	1,636,307
Accrued compensated absences	347,093	196,083	181,865	361,311	190,568
Total business-type activities	<u>39,411,866</u>	<u>196,083</u>	<u>1,724,707</u>	<u>37,883,242</u>	<u>1,826,875</u>
Total long-term debt and liabilities	<u>\$ 49,555,403</u>	<u>\$ 2,372,087</u>	<u>\$ 3,952,333</u>	<u>\$ 47,975,157</u>	<u>\$ 5,271,892</u>

Additional long-term liabilities for governmental activities include unearned revenue of \$ 1,116,818 and OPEB liability of \$ 352,983 (Note 7) as of September 30, 2009.

Additional long-term liabilities for business-type activities include accrued interest, customer deposits, landfill closure cost payable and OPEB liability (Note 7) amounting to \$ 625,572, \$ 332,064, \$ 223,333 and \$ 47,889, respectively, as of September 30, 2009.

General Obligation:

Note Payable:

A promissory note was issued for the acquisition and rehabilitation of affordable housing in the City's redevelopment district. The note is to be repaid and secured by tax increment revenue which derives from such area. Issued at not to exceed \$ 2,500,000, and fully drawn down, on October 1, 2003, the City converted the then revolving facility to a term loan at a fixed interest rate of 2.56%. This note is payable in varying annual installments of principal and interest not exceeding \$184,646 through its maturity on October 1, 2019.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

12. Long-Term Debt and Liabilities (continued)

The general obligation promissory note debt service requirements to maturity are as follows:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 147,058	\$ 37,588	\$ 184,646
2011	147,058	33,829	180,887
2012	147,058	30,071	177,129
2013	147,058	26,312	173,370
2014	147,058	22,553	169,611
2015-2019	731,467	56,382	787,849
	<u>\$ 1,466,757</u>	<u>\$ 206,735</u>	<u>\$ 1,673,492</u>

Revenue Obligation:

Sewer System Refunding Revenue Bonds, Series 2003:

Provisions for the repayment of revenue bonds are set forth in the respective ordinance with accumulation of resources for the repayment being reflected in the accounts of the Sanitary Sewer System Fund. The limitations and restrictions of the bond ordinance are summarized later in this note. The Sewer System Refunding Revenue Bonds, Series 2003, were issued for \$ 29,315,000 in July 2003. Annual debt service installments not exceeding approximately \$ 2,020,000 are due through October 1, 2026, with interest payable semi-annually at rates ranging from 2.0% to 5.25%. The purpose for this issue was to refund the Series 1993 Sewer System Revenue Bonds which partially funded the City's "Advanced Wastewater Treatment Facility." These bonds are secured by a pledge of the net revenues of the system. Summary information on this indebtedness appears below:

<u>Sewer System Refunding Revenue Bonds, Series 2003</u>	
Total bond obligation as of September 30, 2009	\$ 24,735,000
Less current portion	975,000
Less loss on early retirement	863,573
Plus unamortized bond premium	<u>180,019</u>
Total long-term Sewer System Refunding Revenue Bonds	<u>\$ 23,076,446</u>

Capital Improvement/Marina Revenue Refunding Bonds, Series 1993 and 1997

In October, 1997, the City issued \$9,495,000 in Capital Improvement/Marina Revenue Refunding Bonds, Series 1997. The bonds were issued to provide funds for a partial advance refunding of the City's Tax-Exempt Capital Improvement/Marina Revenue Bonds 1993 Series A and to pay the cost of issuance of the Series 1997 bonds, including premiums for the issuance policy and the reserve account credit facility. The Series 1993A bonds were originally issued to finance the acquisition of an approximately 8.8 acre site commonly known as the Key West Bight for the public purpose of constructing marina and related facilities, public parks and conservation areas thereon. The City pays annual debt service installments not exceeding approximately \$ 1,563,000 through December 1, 2017, with interest payable semi-annually at 4.10% to 5.25% on the Series 1997 bonds. These obligations are secured by a pledge of the net revenue of the facility, proceeds from the local government half-cent sales tax and guaranteed entitlement to the City. Summary information on the Marina Revenue Bonds appears below:

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

12. Long-Term Debt and Liabilities (continued)

<u>Capital Improvement/Marina Revenue Bonds</u>	<u>Series 1993</u>	<u>Series 1997</u>	<u>Total</u>
Total bond obligation as of September 30, 2009	\$ 685,568	\$ 9,085,000	\$ 9,770,568
Less current portion	355,060	60,000	415,060
Less loss on early retirement	-	7,415	7,415
Less unamortized bond discount	1,291	25,851	27,142
Total long-term Marina Revenue Bonds	<u>\$ 329,217</u>	<u>\$ 8,991,734</u>	<u>\$ 9,320,951</u>

Revenue bond debt service requirements to maturity, including interest are as follows:

<u>Fiscal Year</u>	<u>Sewer System Refunding Revenue Bond Series 2003</u>		<u>Capital Improvement / Marina Revenue Refunding Bonds Series 1993 and 1997</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2010	\$ 975,000	\$ 1,038,797	\$ 415,060	\$ 1,141,218	\$ 3,570,075
2011	1,000,000	1,013,448	395,508	1,162,804	3,571,760
2012	1,030,000	984,697	1,095,000	434,375	3,544,072
2013	1,060,000	952,768	1,155,000	378,125	3,545,893
2014	1,095,000	918,317	1,210,000	319,000	3,542,317
2015-2019	6,200,000	3,864,513	5,500,000	596,401	16,160,914
2020-2024	7,835,000	2,238,038	-	-	10,073,038
2025-2027	5,540,000	491,969	-	-	6,031,969
	<u>24,735,000</u>	<u>\$ 11,502,547</u>	<u>9,770,568</u>	<u>\$ 4,031,923</u>	<u>\$ 50,040,038</u>
Net amortized loss on early retirement	(863,573)		(7,415)		
Net unamortized premiums and (discounts)	<u>180,019</u>		<u>(27,142)</u>		
	<u>\$ 24,051,446</u>		<u>\$ 9,736,011</u>		

Continuing Disclosure – In accordance with authorizing Ordinances and to comply with the continuing disclosure requirements of the Securities and Exchange Commission, the following disclosure is provided for the Sanitary Sewer System Refunding Revenue Bonds, Series 2003 and the Capital Improvement/Marina “Key West Bight” Revenue Refunding Bonds, Series 1993 and 1997. At September 30, 2009, the City is in compliance with all reporting and disclosure requirements. Required disclosures as of September 30, 2009, are presented below:

Sanitary Sewer System:

- A. During the year there has been no material modification to, or termination of, the Navy agreement which determines the contractual obligation of the Navy as it relates to the Sewer System.
- B. During the year the City did not issue any additional parity obligations and/or subordinated indebtedness.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

12. Long-Term Debt and Liabilities (continued)

C. Current and proposed rate schedules:

	<u>2008</u>		<u>2009</u>		<u>2010</u>
Base Charge	\$ 22.21	\$	22.91	\$	23.23
Commodity Charge	\$ 4.40	\$	4.54	\$	4.60

D. The payable to FEMA is discussed in the commitment and contingencies section of the footnotes (Note 16).

E. Revised historical debt service coverage information is presented in the statistical section of this report (Table 15).

Key West Bight Marina:

A. Required historical information and debt service coverage are presented in the statistical section of this report (Table 16).

Note Payable – State of Florida, Department of Environmental Protection – State Revolving Loan:

In connection with the City's Advanced Wastewater Treatment Facility, the City qualified for the Florida State Revolving Loan Fund program in tandem with the Sewer System Revenue Bonds. Total principal draws amounted to (at present value) \$ 5,172,648 through fiscal year 2002, which agreed to the maximum amount available under this agreement. The City pays annual installments of \$ 366,367 through February 2022, with interest payable at a 3.28% fixed rate. This facility is in junior position to the Sewer System Refunding Revenue Bonds, Series 2003. Summary information on the state revolving loan appears below:

<u>State Revolving Loan</u>	<u>Total</u>
Total loan balance as of September 30, 2009	\$ 3,734,474
Less current portion	<u>246,247</u>
Total long-term state revolving loan balance	<u>\$ 3,488,227</u>

State revolving loan debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2010	\$ 246,247	\$	120,120	\$	366,367
2011	254,365		112,002		366,367
2012	262,749		103,618		366,367
2013	271,413		94,954		366,367
2014	280,361		86,006		366,367
2015 - 2019	1,546,687		285,148		1,831,835
2020 - 2022	<u>872,652</u>		<u>43,266</u>		<u>915,918</u>
	<u>\$ 3,734,474</u>	\$	<u>845,114</u>	\$	<u>4,579,588</u>

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

12. Long-Term Debt and Liabilities (continued)

Conduit debt obligation – The City through the Local Redevelopment Agency entered into an agreement to purchase certain housing facilities from the U.S. Navy known as “Poinciana Complex.” This agreement was subsequently assigned to The Housing Authority of the City of Key West, Florida (the “Authority”). The Authority entered into a first mortgage and security agreement amounting to \$ 16,000,000 under the Section 108 loan program from the Department of Housing and Urban Development to acquire the housing complex. In addition, the Authority entered into agreement with a local governmental agency in the principal amount of \$ 2,210,000 in order to facilitate the acquisition of the complex. The purchase closed in January 2004.

Under the \$ 16,000,000 mortgage note, the City entered into a guarantee and inter-local agreement with the Authority. The City is not liable on the note, as repayment of the note is the responsibility of the Authority and is secured by a mortgage on the housing facility. The note will be repaid from revenues generated from the operation of the development. However, the City does have the responsibility to refund any withdrawals from the debt service reserve account if the Authority cannot meet the maximum required amount within the restoration period. The City maintains recourse against the Authority. Based on these circumstances, the City considers this to be conduit debt and accordingly, it is not recorded on the City's books.

COMPONENT UNIT:

The following is a summary of changes in long-term debt and liabilities for the Authority for the year ended December 31, 2008:

	Balance January 1, 2008	Additions	Retirements	Balance December 31, 2008	Due Within One Year
Mortgages payable	\$ 3,902,274	\$ -	\$ 20,000	\$ 3,882,274	\$ 20,000
Revenue notes	25,857,802	-	735,090	25,122,712	771,888
Promissory note - land	2,210,000	-	-	2,210,000	-
Business loan	169,730	-	-	169,730	-
Total long-term debt and liabilities	\$ <u>32,139,806</u>	\$ <u>-</u>	\$ <u>755,090</u>	\$ <u>31,384,716</u>	\$ <u>791,888</u>
Compensated absences	\$ <u>232,870</u>	\$ <u>30,639</u>	\$ <u>-</u>	\$ <u>263,509</u>	\$ <u>26,996</u>
Other non-current liabilities	\$ <u>2,233,636</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,233,636</u>	\$ <u>-</u>

Mortgages payable as of December 31, 2008, are comprised of the following:

Mortgages Description

Second mortgage due to a governmental agency, collateralized by land, project improvements, and all other fixtures and personal property located on the land, “Home Investment Partnership Program,” payable in full in April 2018, non-interest bearing.	\$ 1,819,720
First mortgage due to a governmental agency, collateralized by land, “Key Plaza Site B,” payable in full in May 2031, non-interest bearing.	1,500,000
First Mortgage due to a governmental agency, collateralized by land, “Key Plaza Site A – Home Investment Partnership Program,” payable in full in April 2018, non-interest bearing.	382,554

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

12. Long-Term Debt and Liabilities (continued)

Mortgages Description

First mortgage due to a local government, collateralized by land, "Roosevelt Gardens," principal to be forgiven in \$ 20,000 increments until December 2017, non-interest bearing.

180,000

\$ 3,882,274

Revenue Notes as of December 31, 2008 are comprised of the following:

Revenue Notes Description

Multifamily Housing Revenue Notes amortized over a 30-year period and bearing interest at 4.25%. These notes are due in January 2011 and are collateralized by the land, project improvements and property located on the land "Roosevelt Gardens." Series 2002 in the original amount of \$ 9,850,000 and Series 2003 in the original amount of \$ 2,000,000.

\$ 11,016,712

First mortgage and security agreement related to its Housing Revenue Note Series 2003 in the principal amount of \$ 16,000,000 to acquire the housing complex known as "Poinciana Complex." This note is due in annual installments from August 2006 through August 2023 and bearing interest at 5.28%. As noted previously, the City of Key West entered into a guarantee agreement whereby funds will be advanced if the debt service reserve cannot be restored to its maximum within its prescribed period.

14,106,000

\$ 25,122,712

Promissory Note – Land as of December 31, 2008 consists of the following:

Promissory Note – Land Description

Second mortgage payable to a local government agency to facilitate the acquisition of the "Poinciana Complex" as discussed under the revenue notes section above and under the long-term debt and liability section of the primary government. This note is non-interest bearing and is due in January 2034. Collateralized by the land, project improvements and property located on the land.

\$ 2,210,000

Business loan as of December 31, 2008 consists of the following:

Business Loan –Description

Revolving facility, with a financial institution, bearing interest at 7.351% with a limit of \$ 250,000. Payment of interest only, due monthly, with a final maturity of December 2010.

\$ 169,730

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

12. Long-Term Debt and Liabilities (continued)

The anticipated principal reductions under all agreements discussed for the component unit are as follows:

<u>Fiscal Year</u>	<u>Mortgages Payable</u>	<u>Revenue Notes</u>	<u>Promissory Note - Land</u>	<u>Business Loan</u>	<u>Total</u>
2009	\$ 20,000	\$ 771,888	\$ -	\$ -	\$ 791,888
2010	20,000	809,111	-	169,730	998,841
2011	20,000	848,777	-	-	868,777
2012	20,000	890,705	-	-	910,705
2013	20,000	933,515	-	-	953,515
Thereafter	<u>3,782,274</u>	<u>20,868,716</u>	<u>2,210,000</u>	<u>-</u>	<u>26,860,990</u>
	<u>\$ 3,882,274</u>	<u>\$ 25,122,712</u>	<u>\$ 2,210,000</u>	<u>\$ 169,730</u>	<u>\$ 31,384,716</u>

The other noncurrent liability as of December 31, 2008 consists of the following:

In August 1989, the Authority entered into an agreement with the City whereby the City would provide the Authority \$ 2,233,636 which the City had received as part of a Housing Development Grant received from the U.S. Department of Housing and Urban Development. The Authority in turn loaned these monies to Creative Choice Management, Inc. in order to develop an affordable/lower income housing project known as the Frederick Douglas Square project.

The Authority recorded a non-current receivable for the total amount loaned (\$ 2,233,636) to Creative Choice Management, Inc. The loan is not interest bearing and is to be repaid from rents collected over a period of 25 years.

The funding received from the City is non-interest bearing and is due 25 years from the date on which the first unit was available for occupancy.

13. Deferred Revenue

The City has recognized deferred revenue as described below. All balances remain unearned at September 30, 2009 from the sources described below.

General Fund - Occupational license renewals are sent out in August for the license year beginning October 1st. Revenues of \$ 795,148 collected in advance of the licensing year are reported as deferred revenue at year-end. Balance of \$ 16,121 from Comcast advances remain unspent for the improvement of City Hall's internal TV system. Also, there were unspent Federal and State grants that amounted to \$ 2,183 and \$ 37,500, respectively, and has been appropriately classified as deferred revenue.

Special Revenue Funds - Certain special revenue funds are used to account for grants and awards activity. Grants and awards which have been received yet remain unspent or obligated are deferred. In October 1985, the City enacted Ordinance No. 85-45, pursuant to Florida Statutes Chapters 180 and 166, which required new developments to pay traffic impact fees to be used exclusively for capital improvements to City streets. Fees are deferred until a qualified project is identified, and fees which are not spent within six years on a qualified project are to be refunded to the fee payer.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

13. Deferred Revenue (continued)

Special Revenue Funds	Total
Community Development Office (grants and awards)	\$ 2,458,455
Gas Tax (impact fees)	313,100
Infrastructure Surtax (grants and awards)	160,357
Local Redevelopment Agency (grants and awards)	127,138
Totals	\$ <u>3,059,050</u>

Sanitary Sewer System Fund - Customer prepayments of \$126,890 for utility bills are reported as deferred.

Key West Bight Fund - Tenant advance billings and payments of \$284,133 are reported as deferred revenue.

Garrison Bight Fund - Tenant advance billings and payments of \$99,003 are reported as deferred revenue.

Internal Service Fund - Insurance premiums collected in advance of \$ 1,220 are reported as deferred revenue.

14. Interfund Assets and Liabilities

A summary of interfund receivables and payable balances at September 30, 2009 are as follows:

Interfund Items (current)	Receivables	Payables
Governmental Funds:		
General	\$ 1,005,989	\$ -
Infrastructure Surtax	411	-
Nonmajor Governmental Funds	662,823	-
Enterprise Funds:		
Sanitary Sewer System	9,379	-
Solid Waste	4,738	-
Key West Bight	10,505	329,219
Stormwater	617	517,956
Nonmajor Enterprises	20,398	663,348
Internal Service Fund:		
Insurance Programs	-	204,337
Total	\$ <u>1,714,860</u>	\$ <u>1,714,860</u>

The receivable balance in the General Fund is a result of overfunding the Insurance Programs Fund and short-term advances made to both the Key West Bight Fund and the Stormwater Fund. The receivable balance in the Nonmajor Governmental Funds is mainly due to a short-term advance made from the Gas Tax Fund to the Transit System Fund to cover temporary cash deficits at year-end. The other side of this transaction is evidenced in the Nonmajor Enterprise Funds. All of the above amounts are expected to be repaid in the next fiscal year from available current assets, including governmental receivables from Federal and state sources.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

14. Interfund Assets and Liabilities (continued)

A summary of advances (receivables and payables) at September 30, 2009 are as follows:

<u>Advances (long-term)</u>	<u>Receivables</u>	<u>Payables</u>
Governmental Funds:		
General	\$ 2,393,049	\$ -
Enterprise Funds:		
Sanitary Sewer System	22,580	-
Stormwater	-	2,393,049
Key West Bight	334,103	-
Nonmajor	-	356,683
	<u> </u>	<u> </u>
Total	\$ <u>2,749,732</u>	\$ <u>2,749,732</u>

The advance in the General Fund is owed by the Stormwater Fund for start-up costs and prior years working capital needs. The Nonmajor Enterprise Fund, the Transit System Fund owes the Key West Bight Fund for rents as a result of a portion of its Park-n-Ride lot built on Key West Bight property. The above amounts are repaid as excess cash flows become available in the debtor fund.

15. Interfund Transfers

A summary of interfund transfers for the year ended September 30, 2009 is as follows:

<u>Transfers</u>	<u>In</u>	<u>Out</u>
Governmental Funds:		
General	\$ 3,984,774	\$ 1,214,196
Infrastructure Surtax	-	6,574,799
Community Development Office	208,000	-
Capital Projects	4,500,000	-
Nonmajor	2,980,995	2,308,952
Enterprise Funds:		
Sanitary Sewer System	-	1,338,000
Solid Waste	-	1,589,190
Stormwater	-	225,872
Key West Bight	740,195	500,000
Nonmajor	1,368,757	331,712
Internal Service Fund:	300,000	
Total	\$ <u>14,082,721</u>	\$ <u>14,082,721</u>

The General Fund received \$ 3,984,774 from the Enterprise Funds for payments in lieu of taxes. The General Fund made its annual transfer (\$ 738,439 in 2009) to the Bahama Village and Caroline Street Fund for tax increment funding. In addition, the General Fund made a \$ 167,757 transfer to cover salaries and operating costs in the Local Redevelopment Fund, along with \$300,000 to the Insurance Fund to fund reserves for future claims and \$ 8,000 to Community Development Office.

The Infrastructure Surtax Fund transferred a portion of the one-cent sales tax to the Capital Projects Fund. The transfer of \$ 4,500,000 is used to fund current and future projects that are accounted for within the fund. The Infrastructure Surtax Fund also made its annual transfer (\$ 2,074,799 in 2009) to the Gas Tax Fund to assist with certain street and sidewalk improvements.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

15. Interfund Transfers (continued)

The Nonmajor Governmental Fund transfers in are the result of the transfers mentioned above into the Gas Tax Fund (\$ 2,074,799), the Local Redevelopment Agency Fund (\$167,757) and the Bahama Village and Caroline Street Fund (\$ 738,439). The Nonmajor Governmental Funds transfers out are from the Gas Tax Fund to subsidize the Transit System Fund (\$ 1,368,757), the Bahama Village and Caroline Street Fund annual transfer to the Key West Bight Fund (\$ 740,195 in 2009) to add in the payment of debt service, and \$ 200,000 to fund housing programs of the Community Development Office.

During the fiscal year, no interfund transfers took place between the City of Key West and its component unit, the Key West Housing Authority.

16. Contingencies

The City is a defendant in several personal injury and other litigation incidental to its routine operations. Annually, the City undergoes an actuarial study to determine the funding necessary to allow for these losses. The City has established a general liability account within the Insurance Internal Service Fund and has reflected its best estimates of such liabilities.

Due to land use plan and rate of growth ordinance restrictions, the City is involved in actions for limiting the ability to use certain properties. Due to the uncertainty of the outcome, and the inability to estimate potential losses, no provision has been recorded in the financial statements.

The City is a co-defendant in a lawsuit in which the claimant has alleged approximately \$ 800,000 in loss of value to his property. This claim is based on the City's denial of permits and development approvals to rebuild replacement structures after a fire on the property. The City believes it has a very strong position in this matter; however, in the event that an unfavorable judgment were returned the City believes there is very little chance that the City would ultimately be held responsible for the entire amount claimed. The City is also a defendant in a case involving a Virginia based shipyard. The company's claim is based on statements allegedly made by City of Key West officials to satisfy financial obligations in the cleaning of the Vandenberg prior to its sinking as an artificial reef. Claimant alleges \$1,096,000 is due. The City feels that the probability of loss is remote for this claim. Due to the uncertainty of the outcome, no liability has been recorded in the financial statements of the City for either of these claims.

In the spring of 2003, the City underwent an audit of FEMA Disaster No. 1306-DR-FL grant otherwise known as Hurricane Irene. In January 2004, the City received official notification from the Florida Department of Community Affairs de-obligating approximately \$ 6,200,000 in claimed costs as a result of their audit. Due to the denial of a subsequent appeal, the City has recorded a liability in the financial statements. FEMA's basis for disallowing these costs is that the damage to the sewer system was preexisting and not a result of the storm. The City strongly disagrees with FEMA's finding. The City continues to seek forgiveness; however, favorable repayment terms are expected from FEMA to resolve this matter.

The City receives significant financial assistance from numerous Federal, state, and local governmental agencies in the form of grants and revenue sharing. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at September 30, 2009.

The City was the defendant for violations of the Commerce Clause of the United States Constitution. The original jury returned a verdict for damages in the amount of \$13.5 million. On appeal, the damage award was reversed and remanded to the trial court for a new trial. On March 19, 2009 the case was settled and paid for \$ 8 million. This settlement has been reported as general government expenditures "operating" in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds in accordance with its budgetary classification.

Estimates have been used in determining the accrual for landfill post closure care. The potential for change exists due to inflation, deflation, technology, and changes in applicable laws and regulations.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

17. Subsequent Event

On December 18, 2009, the City entered into an agreement with a bank for the issuance of the Capital Improvement/Marina Refunding Revenue Note, Series 2009 in the amount of \$ 9,142,446. The proceeds from this indebtedness were used to currently refund the outstanding principal amount of the City's Capital Improvement/Marina Revenue Refunding Bonds, Series 1997 (\$ 9,086,901) and to pay the costs of issuing (\$ 55,545) the 2009 note. The subject bonds were called January 19, 2010. The resulting refunding generated a net present value savings of \$ 661,400.

The note is payable solely and secured by a pledge of the net revenue of the facilities, the half-cent sales tax collections, and the moneys in certain funds and accounts "pledged revenues" created pursuant to this agreement. Interest is due semiannually, at a rate of 3.37%, with principal due annually at installments ranging from \$ 144, 400 to \$ 1, 419, 816 through maturity on December 1, 2017.

Required Supplementary Information

City of Key West, Florida

**Required Supplementary Information
(Unaudited)
Analysis of Funding Progress -
General Employees' Pension Trust Fund
(In Thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/99	\$ 17,138	\$ 17,149	\$ 11	99.9%	\$ 7,118	0.2%
10/01/00	\$ 19,304	\$ 18,249	\$ (1,055)	105.8%	\$ 7,413	(14.2%)
10/01/01	\$ 18,534	\$ 18,935	\$ 401	97.9%	\$ 7,827	5.1%
10/01/02	\$ 17,619	\$ 20,226	\$ 2,607	87.1%	\$ 7,885	33.1%
10/01/03	\$ 22,407	\$ 21,964	\$ (443)	102.0%	\$ 8,689	(5.1%)
10/01/04	\$ 23,847	\$ 22,850	\$ (997)	104.4%	\$ 9,190	(10.8%)
10/01/05	\$ 25,673	\$ 26,954	\$ 1,281	95.2%	\$ 10,387	12.3%
10/01/06	\$ 28,266	\$ 28,258	\$ (8)	100.0%	\$ 10,882	(0.1%)
10/01/07	\$ 32,278	\$ 30,435	\$ (1,843)	106.1%	\$ 11,705	(15.7%)
10/01/08	\$ 35,149	\$ 32,085	\$ (3,064)	109.5%	\$ 10,982	(27.9%)

Note: Financial report may be obtained by writing to the Pension Plan Administrator, Post Office Box 1409, Key West, FL 33041-1409

City of Key West, Florida

Required Supplementary Information
(Unaudited)
Analysis of Funding Progress -
Police Officers' and Firefighters' Pension Trust Fund
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/99	\$ 32,543	\$ 33,489	\$ 946	97.2%	\$ 6,174	15.3%
10/01/00	\$ 36,211	\$ 35,286	\$ (925)	102.6%	\$ 6,156	(15.0%)
10/01/01	\$ 38,270	\$ 36,873	\$ (1,397)	103.8%	\$ 5,849	(23.9%)
10/01/02	\$ 38,430	\$ 40,334	\$ 1,904	95.3%	\$ 7,153	26.6%
10/01/03	\$ 39,160	\$ 43,515	\$ 4,355	90.0%	\$ 7,464	58.3%
10/01/04	\$ 39,488	\$ 45,713	\$ 6,225	86.4%	\$ 8,089	77.0%
10/01/05	\$ 40,679	\$ 51,732	\$ 11,053	78.6%	\$ 9,611	115.0%
10/01/06	\$ 48,066	\$ 57,645	\$ 9,579	83.4%	\$ 10,277	93.2%
10/01/07	\$ 53,303	\$ 61,829	\$ 8,526	86.2%	\$ 9,780	87.2%
10/01/08	\$ 56,358	\$ 65,189	\$ 8,831	86.5%	\$ 9,293	95.0%

Note: Financial report may be obtained by writing to the Pension Plan Administrator, Post Office Box 1409, Key West, FL 33041-1409

City of Key West, Florida

Required Supplementary Information

(Unaudited)

Analysis of Funding Progress -

Pay-As-You-Go Approach

Other Post Employment Health Care Benefits

(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
09/30/09	\$ -	\$ 4,183	\$ 4,183	0.0%	\$ 19,091	21.9%

Note: Since this is the first year of implementation, no prior year information is available.

Combining and Individual Fund Statements and Schedules

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City of Key West, Florida

Nonmajor Governmental

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are restricted to expenditures for particular purposes as authorized by statutory or charter provisions. The City maintains seven special revenue funds to track the following revenues and related expenditures:

Law Enforcement Trust Fund - To account for the proceeds from confiscated property, designated for purchase of technical equipment for the police department.

Gas Tax Fund - To account for county and state gasoline tax revenue sharing, designated for the capital improvements of streets and sidewalks.

Fort Taylor Fund - To account for State of Florida shared revenues, Department of Natural Resources grants, together with donations, restricted for the acquisition of salt ponds.

Affordable Housing Escrow Fund - To account for proceeds and disbursements associated with the acquisition, rehabilitation or any other element associated with the development of affordable housing.

Local Redevelopment Agency Fund - To account for proceeds and disbursements related to the Naval Air Station Key West Base Reuse Plan.

Bahama Village and Caroline Street Fund - To account for proceeds and disbursements associated with the acquisition of property or establishment of community development programs within the redevelopment area.

Navy Pier Payments Fund - To account for lease payments held in reserve.

City of Key West, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2009

	Special Revenue Funds			
	Law Enforcement Trust Fund	Gas Tax Fund	Fort Taylor Fund	Affordable Housing Escrow Fund
Assets:				
Cash, cash equivalents, and investments	\$ 228,416	\$ 1,345,828	\$ 844,455	\$ 133,422
Cash equivalents and investments (restricted)	-	398,871	-	-
Receivables (net of allowance for uncollectibles):				
Intergovernmental	-	271,727	8,374	-
Interfund receivables	-	657,675	-	-
Total assets	<u>\$ 228,416</u>	<u>2,674,101</u>	<u>\$ 852,829</u>	<u>\$ 133,422</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 315,619	\$ -	\$ -
Accrued payroll	-	6,321	-	-
Retainage payable	-	48,347	-	-
Deferred revenue	-	313,100	-	-
Total liabilities	<u>-</u>	<u>683,387</u>	<u>-</u>	<u>-</u>
Fund balances:				
Reserved for encumbrances	-	1,150,646	-	-
Unreserved	228,416	840,068	852,829	133,422
Total fund balances	<u>228,416</u>	<u>1,990,714</u>	<u>852,829</u>	<u>133,422</u>
Total liabilities and fund balances	<u>\$ 228,416</u>	<u>\$ 2,674,101</u>	<u>\$ 852,829</u>	<u>\$ 133,422</u>

<u>Local Redevelopment Agency Fund</u>	<u>Bahama Village and Caroline Street Fund</u>	<u>Navy Pier Payments Fund</u>	<u>Total</u>
\$ 2,110,854	\$ 750,641	\$ 6,593,784	\$ 12,007,400
-	-	-	398,871
14,228	-	29,212	323,541
1,029	4,119	-	662,823
<u>\$ 2,126,111</u>	<u>\$ 754,760</u>	<u>\$ 6,622,996</u>	<u>\$ 13,392,635</u>
\$ 3,279	\$ 204,303	\$ 21,427	\$ 544,628
3,513	7,953	-	17,787
-	-	-	48,347
127,138	-	-	440,238
<u>133,930</u>	<u>212,256</u>	<u>21,427</u>	<u>1,051,000</u>
57,622	32,571	569,064	1,809,903
<u>1,934,559</u>	<u>509,933</u>	<u>6,032,505</u>	<u>10,531,732</u>
<u>1,992,181</u>	<u>542,504</u>	<u>6,601,569</u>	<u>12,341,635</u>
<u>\$ 2,126,111</u>	<u>\$ 754,760</u>	<u>\$ 6,622,996</u>	<u>\$ 13,392,635</u>

City of Key West, Florida
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended September 30, 2009

	Special Revenue Funds			
	Law Enforcement Trust Fund	Gas Tax Fund	Fort Taylor Fund	Affordable Housing Escrow Fund
Revenues:				
Taxes	\$ -	\$ 1,074,604	\$ -	\$ -
Intergovernmental	-	207,578	178,689	-
Charges for services	-	-	-	-
Fines and forfeitures	238,801	-	-	-
Investment earnings	5,573	56,441	27,016	10,110
Contributions and other	-	39,048	-	-
Total revenues	<u>244,374</u>	<u>1,377,671</u>	<u>205,705</u>	<u>10,110</u>
Expenditures:				
Current:				
Public safety	133,457	-	-	-
Transportation	-	1,366,837	-	-
Economic environment	-	-	-	-
Capital outlay	8,815	658,232	-	-
Debt service	-	-	-	-
Total expenditures	<u>142,272</u>	<u>2,025,069</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>102,102</u>	<u>(647,398)</u>	<u>205,705</u>	<u>10,110</u>
Other financing sources (uses):				
Transfers in	-	2,074,799	-	-
Transfers out	-	(1,368,757)	-	(200,000)
Total other financing sources (uses)	<u>-</u>	<u>706,042</u>	<u>-</u>	<u>(200,000)</u>
Net change in fund balances	102,102	58,644	205,705	(189,890)
Fund balances, October 1	<u>126,314</u>	<u>1,932,070</u>	<u>647,124</u>	<u>323,312</u>
Fund balances, September 30	<u>\$ 228,416</u>	<u>\$ 1,990,714</u>	<u>\$ 852,829</u>	<u>\$ 133,422</u>

Local Redevelopment Agency Fund	Bahama Village and Caroline Street Fund	Navy Pier Payments Fund	Total
\$ \$ -	\$ 870,907	\$ -	\$ 1,945,511
27,102	-	51,711	465,080
-	-	871,519	871,519
-	-	-	238,801
80,798	26,675	246,455	453,068
7,800	-	-	46,848
<u>115,700</u>	<u>897,582</u>	<u>1,169,685</u>	<u>4,020,827</u>
-	-	-	133,457
-	-	672,044	2,038,881
202,380	769,141	-	971,521
16,782	-	-	683,829
-	188,286	-	188,286
<u>219,162</u>	<u>957,427</u>	<u>672,044</u>	<u>4,015,974</u>
<u>(103,462)</u>	<u>(59,845)</u>	<u>497,641</u>	<u>4,853</u>
167,757	738,439	-	2,980,995
-	(740,195)	-	(2,308,952)
<u>167,757</u>	<u>(1,756)</u>	<u>-</u>	<u>672,043</u>
64,295	(61,601)	497,641	676,896
<u>1,927,886</u>	<u>604,105</u>	<u>6,103,928</u>	<u>11,664,739</u>
<u>\$ 1,992,181</u>	<u>\$ 542,504</u>	<u>\$ 6,601,569</u>	<u>\$ 12,341,635</u>

City of Key West, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Law Enforcement Trust Special Revenue Fund
For the year ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Fines and forfeitures	\$ -	\$ -	\$ 238,801	\$ 238,801
Investment earnings	3,062	3,061	5,573	2,512
Total revenues	<u>3,062</u>	<u>3,061</u>	<u>244,374</u>	<u>241,313</u>
Expenditures:				
Operating	-	14,400	133,457	(119,057)
Capital	-	-	8,815	(8,815)
Total expenditures	<u>-</u>	<u>14,400</u>	<u>142,272</u>	<u>(127,872)</u>
Excess (deficiency) of revenues over expenditures	<u>3,062</u>	<u>(11,339)</u>	<u>102,102</u>	<u>113,441</u>
Net change in fund balance	3,062	(11,339)	102,102	113,441
Fund balance, October 1	<u>126,314</u>	<u>126,314</u>	<u>126,314</u>	<u>-</u>
Fund balance, September 30	<u>\$ 129,376</u>	<u>\$ 114,975</u>	<u>\$ 228,416</u>	<u>\$ 113,441</u>

City of Key West, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund
For the year ended September 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	\$ 1,100,141	\$ 1,100,141	\$ 1,074,604	\$ (25,537)
Intergovernmental income	-	4,627,537	207,578	(4,419,959)
Investment earnings	50,000	50,000	56,441	6,441
Contributions and other	-	687,000	39,048	(647,952)
Total revenues	<u>1,150,141</u>	<u>6,464,678</u>	<u>1,377,671</u>	<u>(5,087,007)</u>
Expenditures:				
Personal Services	219,302	219,302	150,788	68,514
Operating	1,739,256	2,322,194	1,216,049	1,106,145
Capital outlay	397,625	4,493,240	658,232	3,835,008
Total expenditures	<u>2,356,183</u>	<u>7,034,736</u>	<u>2,025,069</u>	<u>5,009,667</u>
Excess (deficiency) of revenue over expenditures	<u>(1,206,042)</u>	<u>(570,058)</u>	<u>(647,398)</u>	<u>(77,340)</u>
Other financing sources (uses):				
Transfers in	2,074,799	2,074,799	2,074,799	-
Transfers out	<u>(1,668,757)</u>	<u>(1,368,757)</u>	<u>(1,368,757)</u>	-
Total other financing sources (uses)	<u>406,042</u>	<u>706,042</u>	<u>706,042</u>	-
Net change in fund balance	(800,000)	135,984	58,644	(77,340)
Fund balance, October 1	<u>1,932,070</u>	<u>1,932,070</u>	<u>1,932,070</u>	-
Fund balance, September 30	<u>\$ 1,132,070</u>	<u>\$ 2,068,054</u>	<u>\$ 1,990,714</u>	<u>\$ (77,340)</u>

City of Key West, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fort Taylor Special Revenue Fund
For the year ended September 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental income	\$ 119,939	\$ 119,939	\$ 178,689	\$ 58,750
Investment earnings	15,005	15,005	27,016	12,011
Total revenues	<u>134,944</u>	<u>134,944</u>	<u>205,705</u>	<u>70,761</u>
Excess of revenues over expenditures	<u>134,944</u>	<u>134,944</u>	<u>205,705</u>	<u>70,761</u>
 Net change in fund balance	 134,944	 134,944	 205,705	 70,761
 Fund balance, October 1	 <u>647,124</u>	 <u>647,124</u>	 <u>647,124</u>	 <u>-</u>
 Fund balance, September 30	 <u>\$ 782,068</u>	 <u>\$ 782,068</u>	 <u>\$ 852,829</u>	 <u>\$ 70,761</u>

City of Key West, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Local Redevelopment Agency Special Revenue Fund
For the year ended September 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	\$ 636,114	\$ 636,114	\$ 27,102	\$ (609,012)
Investment earnings	33,367	33,367	80,798	47,431
Contributions and other	-	-	7,800	7,800
Total revenues	<u>669,481</u>	<u>669,481</u>	<u>115,700</u>	<u>(553,781)</u>
Expenditures:				
Personal services	136,067	136,067	140,030	(3,963)
Operating	31,689	31,689	62,350	(30,661)
Capital outlay	<u>2,566,114</u>	<u>2,566,114</u>	<u>16,782</u>	<u>2,549,332</u>
Total expenditures	<u>2,733,870</u>	<u>2,733,870</u>	<u>219,162</u>	<u>2,514,708</u>
Excess (deficiency) of revenues over expenditures	<u>(2,064,389)</u>	<u>(2,064,389)</u>	<u>(103,462)</u>	<u>1,960,927</u>
Other financing sources:				
Transfers in	<u>167,757</u>	<u>167,757</u>	<u>167,757</u>	<u>-</u>
Total other financing sources	<u>167,757</u>	<u>167,757</u>	<u>167,757</u>	<u>-</u>
Net change in fund balance	<u>(1,896,632)</u>	<u>(1,896,632)</u>	<u>64,295</u>	<u>1,960,927</u>
Fund balance, October 1	<u>1,927,886</u>	<u>1,927,886</u>	<u>1,927,886</u>	<u>-</u>
Fund balance, September 30	<u>\$ 31,254</u>	<u>\$ 31,254</u>	<u>\$ 1,992,181</u>	<u>\$ 1,960,927</u>

City of Key West, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Bahama Village and Caroline Street Special Revenue Fund
For the year ended September 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	\$ 740,659	\$ 870,907	\$ 870,907	\$ -
Investment earnings	-	-	26,675	26,675
Total revenues	<u>740,659</u>	<u>870,907</u>	<u>897,582</u>	<u>26,675</u>
Expenditures:				
Personal services	296,363	296,363	252,055	44,308
Operating	126,175	157,175	58,411	98,764
Capital	600,000	-	-	-
Debt service	190,184	190,184	188,286	1,898
Aid to private organizations	-	600,000	458,675	141,325
Total expenditures	<u>1,212,722</u>	<u>1,243,722</u>	<u>957,427</u>	<u>286,295</u>
Excess (deficiency) of revenues over expenditures	<u>(472,063)</u>	<u>(372,815)</u>	<u>(59,845)</u>	<u>312,970</u>
Other financing sources (uses):				
Transfers in	745,161	738,439	738,439	-
Transfers out	(550,000)	(740,195)	(740,195)	-
Total other financing sources (uses)	<u>195,161</u>	<u>(1,756)</u>	<u>(1,756)</u>	<u>-</u>
Net change in fund balance	<u>(276,902)</u>	<u>(374,571)</u>	<u>(61,601)</u>	<u>312,970</u>
Fund balance, October 1	<u>604,105</u>	<u>604,105</u>	<u>604,105</u>	<u>-</u>
Fund balance, September 30	<u>\$ 327,203</u>	<u>\$ 229,534</u>	<u>\$ 542,504</u>	<u>\$ 312,970</u>

City of Key West, Florida
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Navy Pier Payments Special Revenue Fund
For the year ended September 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 51,711	\$ 51,711
Charges for services	933,753	933,753	871,519	(62,234)
Investment earnings	105,958	105,958	246,455	140,497
Total revenues	<u>1,039,711</u>	<u>1,039,711</u>	<u>1,169,685</u>	<u>129,974</u>
Expenditures:				
Operating	-	1,094,230	672,044	422,186
Capital	-	247,477	-	247,477
Total expenditures	<u>-</u>	<u>1,341,707</u>	<u>672,044</u>	<u>669,663</u>
Excess (deficiency) of revenues over expenditures	<u>1,039,711</u>	<u>(301,996)</u>	<u>497,641</u>	<u>799,637</u>
Net change in fund balance	1,039,711	(301,996)	497,641	799,637
Fund balance, October 1	<u>6,103,928</u>	<u>6,103,928</u>	<u>6,103,928</u>	<u>-</u>
Fund balance, September 30	<u>\$ 7,143,639</u>	<u>\$ 5,801,932</u>	<u>\$ 6,601,569</u>	<u>\$ 799,637</u>

City of Key West, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Capital Projects Fund
For the year ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Investment earnings	\$ 200,000	\$ 200,000	\$ 374,798	\$ 174,798
Total revenues	<u>200,000</u>	<u>200,000</u>	<u>374,798</u>	<u>174,798</u>
Expenditures:				
Grants and aid	-	-	1,300,000	(1,300,000)
Capital outlay	-	1,002,910	322,047	680,863
Total expenditures	<u>-</u>	<u>1,002,910</u>	<u>1,622,047</u>	<u>(619,137)</u>
Excess (deficiency) of revenues over expenditures	<u>200,000</u>	<u>(802,910)</u>	<u>(1,247,249)</u>	<u>(444,339)</u>
Other financing sources:				
Transfers in	<u>4,500,000</u>	<u>4,500,000</u>	<u>4,500,000</u>	<u>-</u>
Total other financing sources	<u>4,500,000</u>	<u>4,500,000</u>	<u>4,500,000</u>	<u>-</u>
Net change in fund balance	4,700,000	3,697,090	3,252,751	(444,339)
Fund balance, October 1	<u>8,584,481</u>	<u>8,584,481</u>	<u>8,584,481</u>	<u>-</u>
Fund balance, September 30	<u>\$ 13,284,481</u>	<u>\$ 12,281,571</u>	<u>\$ 11,837,232</u>	<u>\$ (444,339)</u>

City of Key West, Florida

Nonmajor Enterprise Funds

Enterprise funds are used to account for the acquisition, operation, and maintenance of governmental facilities and services which are entirely or predominantly supported by user charges. All activities necessary to provide such services are accounted for in these funds, including (but not limited to) administration, operations, maintenance, financing, and related debt service (where applicable). The significant characteristics of enterprise funds are that the accounting system must be structured to reflect whether the activity is operated at a profit or loss, similar to comparable activities in private enterprise. Thus, the reports of enterprise funds are self-contained, and creditors, legislators, or the general public can evaluate the performance of the particular municipal enterprise on the same basis as they can the performance of an investor-owned enterprise in the same industry. The City maintains six enterprise funds including the following two, which are considered nonmajor:

Garrison Bight Fund - To account for the provision of marina services to the residents of the City.

Transit System Fund - To account for the provision of mass transit services within the City limits to the residents of the City.

City of Key West, Florida
Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2009

	<u>Garrison Blight</u>	<u>Transit System</u>	<u>Total Nonmajor Enterprise Funds</u>
Assets:			
Current assets:			
Cash, cash equivalents and investments	\$ 1,700,034	\$ 51,075	\$ 1,751,109
Receivables, net of allowance for uncollectibles:			
Accounts	100,743	48,435	149,178
Intergovernmental	93,221	169,364	262,585
Interfund receivables	6,385	14,013	20,398
Prepaid expenses	5,722	1,707	7,429
Inventories	-	27,571	27,571
Total current assets	<u>1,906,105</u>	<u>312,165</u>	<u>2,218,270</u>
Noncurrent assets:			
Property, plant and equipment:			
Land	-	50,000	50,000
Buildings and improvements	188,301	4,510,597	4,698,898
Infrastructure	4,290,181	230,791	4,520,972
Machinery, equipment and furniture	368,851	5,421,126	5,789,977
Construction in progress	1,832,112	494,522	2,326,634
Total	<u>6,679,445</u>	<u>10,707,036</u>	<u>17,386,481</u>
Less accumulated depreciation	<u>2,811,054</u>	<u>6,726,626</u>	<u>9,537,680</u>
Net property, plant and equipment	<u>3,868,391</u>	<u>3,980,410</u>	<u>7,848,801</u>
Total noncurrent assets	<u>3,868,391</u>	<u>3,980,410</u>	<u>7,848,801</u>
Total assets	<u>\$ 5,774,496</u>	<u>\$ 4,292,575</u>	<u>\$ 10,067,071</u>

	<u>Garrison Blight</u>	<u>Transit System</u>	<u>Total Nonmajor Enterprise Funds</u>
Liabilities and Net Assets:			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 388,413	\$ 96,274	\$ 484,687
Accrued payroll and related expenses	42,937	140,129	183,066
Retainage payable	58,699	-	58,699
Interfund payable	7,526	655,822	663,348
Deferred revenue	99,003	-	99,003
Total current liabilities	<u>596,578</u>	<u>892,225</u>	<u>1,488,803</u>
Noncurrent liabilities:			
Advance from other funds	22,580	334,103	356,683
Customer deposits	166,883	3,500	170,383
OPEB liability	7,708	16,398	24,106
Compensated absences	31,156	11,206	42,362
Total noncurrent liabilities	<u>228,327</u>	<u>365,207</u>	<u>593,534</u>
Total liabilities	<u>824,905</u>	<u>1,257,432</u>	<u>2,082,337</u>
Net assets:			
Invested in capital assets, net of related debt	3,868,391	3,980,410	7,848,801
Unrestricted (deficit)	1,081,200	(945,267)	135,933
Total net assets	<u>4,949,591</u>	<u>3,035,143</u>	<u>7,984,734</u>
Total liabilities and net assets	\$ <u><u>5,774,496</u></u>	\$ <u><u>4,292,575</u></u>	\$ <u><u>10,067,071</u></u>

City of Key West, Florida
Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the year ended September 30, 2009

	<u>Garrison Bight</u>	<u>Transit System</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues:			
Charges for services	\$ 1,459,300	\$ 1,066,901	\$ 2,526,201
Total operating revenues	<u>1,459,300</u>	<u>1,066,901</u>	<u>2,526,201</u>
Operating expenses:			
Personal services	644,040	2,151,037	2,795,077
Other operating expenses	584,662	833,535	1,418,197
Depreciation	196,890	583,323	780,213
Total operating expenses	<u>1,425,592</u>	<u>3,567,895</u>	<u>4,993,487</u>
Operating income (loss)	<u>33,708</u>	<u>(2,500,994)</u>	<u>(2,467,286)</u>
Nonoperating revenues (expenses):			
Grant income (operating)	17,323	386,252	403,575
Investment earnings	102,650	1,630	104,280
Other income	25,349	34,455	59,804
Other expenses	(290)	(861)	(1,151)
Interest expense	-	(12,175)	(12,175)
Net nonoperating revenues (expenses)	<u>145,032</u>	<u>409,301</u>	<u>554,333</u>
Income (loss) before transfers and contributions	<u>178,740</u>	<u>(2,091,693)</u>	<u>(1,912,953)</u>
Transfers and contributions:			
Capital contributions	178,617	258,197	436,814
Transfers in	-	1,368,757	1,368,757
Transfers out	(90,823)	(240,889)	(331,712)
Total transfers and contributions	<u>87,794</u>	<u>1,386,065</u>	<u>1,473,859</u>
Change in net assets	266,534	(705,628)	(439,094)
Total net assets, October 1	<u>4,683,057</u>	<u>3,740,771</u>	<u>8,423,828</u>
Total net assets, September 30	<u>\$ 4,949,591</u>	<u>\$ 3,035,143</u>	<u>\$ 7,984,734</u>

City of Key West, Florida
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the year ended September 30, 2009

	<u>Garrison Bight</u>	<u>Transit System</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash flows from operating activities:			
Cash received from customers	\$ 1,455,923	\$ 1,077,213	\$ 2,533,136
Cash paid to suppliers	(245,592)	(874,309)	(1,119,901)
Cash paid to employees	(622,208)	(2,110,514)	(2,732,722)
Other receipts	25,349	34,455	59,804
Net cash provided by (used in) operating activities	<u>613,472</u>	<u>(1,873,155)</u>	<u>(1,259,683)</u>
Cash flows from noncapital financing activities:			
Operating grants received	17,323	390,673	407,996
Advance/loan from (to) other funds	(7,526)	(44,178)	(51,704)
Transfers in	-	1,368,757	1,368,757
Transfers (out)	(90,823)	(240,889)	(331,712)
Net cash flows provided by (used in) noncapital financing activities	<u>(81,026)</u>	<u>1,474,363</u>	<u>1,393,337</u>
Cash flows from capital and related financing activities:			
Proceeds of capital grants	99,492	644,447	743,939
Acquisition and construction of capital assets	(2,466,947)	(264,367)	(2,731,314)
Net cash flows provided by (used in) capital and related financing activities	<u>(2,367,455)</u>	<u>380,080</u>	<u>(1,987,375)</u>
Cash flows from investing activities:			
Investment earnings	102,650	1,630	104,280
Net cash flows provided by (used in) investing activities	<u>102,650</u>	<u>1,630</u>	<u>104,280</u>
Net increase (decrease) in cash, cash equivalents and investments	(1,732,359)	(17,082)	(1,749,441)
Cash, cash equivalents and investments, October 1	<u>3,432,393</u>	<u>68,157</u>	<u>3,500,550</u>
Cash, cash equivalents and investments, September 30	<u>\$ 1,700,034</u>	<u>\$ 51,075</u>	<u>\$ 1,751,109</u>
RECONCILIATION TO STATEMENT OF OF NET ASSETS:			
Cash, cash equivalents and investments	\$ 1,700,034	\$ 51,075	\$ 1,751,109
Restricted cash equivalents and investments	-	-	-
Cash, cash equivalents and investments	<u>\$ 1,700,034</u>	<u>\$ 51,075</u>	<u>\$ 1,751,109</u>

City of Key West, Florida
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
(continued)
For the year ended September 30, 2009

	<u>Garrison Bight</u>	<u>Transit System</u>	<u>Total Nonmajor Enterprise Funds</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ <u>33,708</u>	\$ <u>(2,500,994)</u>	\$ <u>(2,467,286)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Other nonoperating revenues	25,349	34,455	59,804
Depreciation	196,890	583,323	780,213
Decrease (increase) in assets:			
Accounts receivables	(3,932)	10,312	6,380
Interfund receivables	(1,289)	33,466	32,177
Inventories	-	(9,448)	(9,448)
Increase (decrease) in liabilities:			
Accounts payable	339,070	(31,326)	307,744
Accrued payroll and related expenses	17,082	22,019	39,101
Deferred revenue	(3,313)	-	(3,313)
Customer deposits	3,867	-	3,867
Compensated absences	(1,668)	(31,360)	(33,028)
OPEB liability	7,708	16,398	24,106
Total adjustments	<u>579,764</u>	<u>627,839</u>	<u>1,207,603</u>
Net cash provided by (used in) operating activities	\$ <u><u>613,472</u></u>	\$ <u><u>(1,873,155)</u></u>	\$ <u><u>(1,259,683)</u></u>

City of Key West, Florida

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity. Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. The City maintains two trust funds:

Pension Trust Funds - To account for the accumulation of resources for pension benefit payments to qualified employees. There are two funds for the City's two retirement plans—the Police Officers' and Firefighters' Retirement Plan and the General Employees' Retirement Plan.

City of Key West, Florida
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2009

	Pension Trust Funds		
	Police and Fire	General Employees	Total
Assets:			
Cash and cash equivalents	\$ 2,745,924	\$ 2,407,536	\$ 5,153,460
Investments, at fair value:			
Corporate and foreign bonds	8,241,538	5,170,170	13,411,708
U.S. government securities	8,720,166	5,292,209	14,012,375
Municipal obligations	1,659,459	848,759	2,508,218
Marketable equity securities	24,073,726	20,141,258	44,214,984
Alternative investments	5,162,239	-	5,162,239
Receivables:			
Interest and dividends	239,285	157,344	396,629
Due from governmental funds	329,439	-	329,439
Other	24,346	-	24,346
Equipment	2,705	200	2,905
Accumulated depreciation	(2,705)	(200)	(2,905)
Total assets	<u>51,196,122</u>	<u>34,017,276</u>	<u>85,213,398</u>
Liabilities:			
Accounts payable	71,287	6,810	78,097
Accrued expenses	15,912	-	15,912
Deferred retirement option plan payable	3,933,278	70,562	4,003,840
Total liabilities	<u>4,020,477</u>	<u>77,372</u>	<u>4,097,849</u>
Net Assets:			
Held in trust for employees' pension benefits	\$ <u>47,175,645</u>	\$ <u>33,939,904</u>	\$ <u>81,115,549</u>

City of Key West, Florida
Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended September 30, 2009

	Pension Trust Funds		
	Police and Fire	General Employees	Total
Additions:			
Contributions:			
Employer	\$ 2,022,206	\$ 1,265,869	\$ 3,288,075
Members	635,861	632,457	1,268,318
State police and fire	445,345	-	445,345
Total contributions	<u>3,103,412</u>	<u>1,898,326</u>	<u>5,001,738</u>
Investment earnings (loss):			
Net appreciation (depreciation) in fair value of investments	(2,103,563)	1,466,960	(636,603)
Interest and dividends	1,509,164	1,047,765	2,556,929
	<u>(594,399)</u>	<u>2,514,725</u>	<u>1,920,326</u>
Less investment expenses	352,385	95,818	448,203
Deferred retirement option plan participants earnings	<u>(237,751)</u>	<u>8,763</u>	<u>(228,988)</u>
Net investment earnings (loss)	<u>(1,184,535)</u>	<u>2,427,670</u>	<u>1,243,135</u>
Total additions	<u>1,918,877</u>	<u>4,325,996</u>	<u>6,244,873</u>
Deductions:			
Benefits paid	3,997,186	1,945,843	5,943,029
Administrative expense	178,650	112,222	290,872
Contributions refunded	118,468	-	118,468
Total deductions	<u>4,294,304</u>	<u>2,058,065</u>	<u>6,352,369</u>
Changes in net assets	<u>(2,375,427)</u>	<u>2,267,931</u>	<u>(107,496)</u>
Net assets, October 1	<u>49,551,072</u>	<u>31,671,973</u>	<u>81,223,045</u>
Net assets, September 30	<u>\$ 47,175,645</u>	<u>\$ 33,939,904</u>	<u>\$ 81,115,549</u>

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Statistical Section

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**City of Key West, Florida
Statistical Section**

For the Year Ended September 30, 2009

Overview

Statistical information is different from financial statements in that the statistics usually cover more than one fiscal year and may present non-accounting information. The following tables present financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information of the government, as necessary for complete disclosure of the City's financial activity. The information presented in these tables is not required for fair presentation in conformity with generally accepted accounting principles and is therefore not covered by the auditors' opinion.

There have been no special assessments authorized during the last ten fiscal years.

The City's charter does not provide for a General Obligation Legal Debt margin.

CONTENTS	<u>PAGES</u>
FINANCIAL TRENDS	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	100-107
REVENUE CAPACITY	
These schedules contain information to help the reader assess the City's most significant local revenue source - property tax.	108-111
DEBT CAPACITY	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	112-116
DEMOGRAPHIC AND ECONOMIC INFORMATION	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	117-119
OPERATING INFORMATION	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.	120-122

Sources of Data:

City of Key West Audited Financial Statements (and supporting records)
City of Key West Planning Department
City of Key West Building and Zoning Department
Monroe County Tax Collector
Monroe County Property Appraiser
Monroe County School Board
Florida Keys Aqueduct Authority
Keys Energy Services

City of Key West, Florida

Table 1
Net Assets by Component

For the last seven fiscal years*
Accrual basis
(in thousands)

	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities							
Invested in capital assets,							
net of related debt	\$ 35,962	\$ 35,936	\$ 84,281	\$ 83,047	\$ 84,399	\$ 83,450	\$ 83,653
Restricted	5,183	14,850	17,885	17,596	24,796	30,050	30,675
Unrestricted	19,986	61,128	11,651	14,948	13,791	6,155	9,654
Total governmental activities net assets	<u>\$ 61,131</u>	<u>\$ 111,914</u>	<u>\$ 113,817</u>	<u>\$ 115,591</u>	<u>\$ 122,986</u>	<u>\$ 119,655</u>	<u>\$ 123,982</u>
Business-type activities							
Invested in capital assets,							
net of related debt	\$ 87,514	\$ 82,941	\$ 83,682	\$ 92,102	\$ 94,073	\$ 103,294	\$ 107,394
Restricted	2,494	2,664	2,358	2,427	3,757	3,800	3,800
Unrestricted	18,689	16,458	18,926	14,997	18,295	14,446	12,003
Total business-type activities net assets	<u>\$ 108,697</u>	<u>\$ 102,063</u>	<u>\$ 104,966</u>	<u>\$ 109,526</u>	<u>\$ 116,125</u>	<u>\$ 121,540</u>	<u>\$ 123,197</u>
Primary government							
Invested in capital assets,							
net of related debt	\$ 123,476	\$ 118,877	\$ 167,963	\$ 175,149	\$ 178,472	\$ 186,744	\$ 191,047
Restricted	7,677	17,514	20,243	20,023	28,553	33,851	34,475
Unrestricted	38,675	77,586	30,577	29,945	32,843	20,600	21,657
Total primary government net assets	<u>\$ 169,828</u>	<u>\$ 213,977</u>	<u>\$ 218,783</u>	<u>\$ 225,117</u>	<u>\$ 239,111</u>	<u>\$ 241,195</u>	<u>\$ 247,179</u>

* Net asset information is not available for fiscal years preceding the implementation of GASB 34.

City of Key West, Florida

**Table 2
Changes in Net Assets**

**For the last seven fiscal years*
Accrual basis
(in thousands)**

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Expenses							
Governmental activities:							
General government	\$ 9,131	\$ 12,689	\$ 14,068	\$ 13,195	\$ 12,304	\$ 13,012	\$ 13,570
Public safety	16,871	15,985	20,332	23,059	22,278	22,272	21,896
Physical environment	128	160	284	220	321	588	314
Transportation	3,400	2,780	2,901	3,249	3,354	4,002	3,711
Economic environment	1,944	1,293	1,185	2,152	1,963	5,297	14,622
Human services	-	131	438	432	491	517	409
Culture and recreation	3,285	3,400	3,270	4,206	5,403	3,677	2,314
Interest	42	79	40	53	51	45	41
Total governmental activities expenses	34,801	36,517	42,518	46,566	46,224	49,410	56,877
Business type activities:							
Sewer System	11,384	17,991	10,885	10,030	10,121	10,704	10,833
Solid Waste	7,750	10,177	10,103	11,895	6,727	7,480	7,105
Key West Bight	3,780	4,520	5,451	6,008	6,374	6,980	5,485
Stormwater	850	1,192	1,003	3,031	1,757	2,871	3,053
Garrison Bight	1,040	1,097	1,196	1,225	1,063	1,207	1,426
Transit	2,658	3,152	3,087	3,917	3,818	4,026	3,581
Poinciana	1,520	1,594	-	-	-	-	-
Total business-type activities expenses	28,982	39,723	31,725	36,106	29,860	33,268	31,483
Total primary government expenses	\$ 63,783	\$ 76,240	\$ 74,243	\$ 82,672	\$ 76,084	\$ 82,678	\$ 88,360
Program Revenues							
Governmental activities:							
Charges for services:							
General government	\$ 3,283	\$ 1,394	\$ 1,520	\$ 1,594	\$ 1,551	\$ 1,686	\$ 2,257
Public safety	1,390	3,182	4,127	4,077	4,504	2,351	2,280
Physical environment	30	38	88	120	46	71	54
Transportation	6,831	6,368	8,000	7,352	7,568	7,002	6,840
Human Services	-	-	-	-	-	11	-
Culture and recreation	139	12	133	114	136	15	182
Operating grants and contributions	1,421	911	866	3,969	3,561	2,583	4,295
Capital grants and contributions	2,118	48,314	1,405	1,185	647	4,275	12,334
Total governmental activities program revenues	15,212	60,219	16,139	18,411	18,013	17,994	28,242

City of Key West, Florida

**Table 2
Changes in Net Assets
(Continued)**

**For the last seven fiscal years*
Accrual basis
(in thousands)**

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Business type activities:							
Charges for services:							
Sanitary Sewer System	10,521	10,503	10,499	12,063	11,271	11,789	11,648
Solid Waste	8,025	8,274	8,293	8,591	8,837	9,343	9,283
Key West Bight	4,571	5,236	5,932	6,531	7,460	8,100	6,500
Stormwater	1,450	1,642	1,516	1,742	1,748	2,336	2,393
Garrison Bight	1,102	1,204	1,318	1,397	1,504	1,509	1,459
Transit	589	754	737	932	1,023	1,067	1,067
Poinciana	1,438	362	-	-	-	-	-
Operating grants and contributions	449	442	2,117	6,926	1,588	1,033	420
Capital grants and contributions	5,944	1,940	1,692	2,067	2,081	4,276	1,429
Total business type activities program revenues	34,089	30,357	32,104	40,248	35,512	39,453	34,199
Total primary government program revenues	\$ 49,301	\$ 90,576	\$ 48,243	\$ 58,659	\$ 53,525	\$ 57,447	\$ 62,441
Net (expense)/revenue							
Governmental activities	\$ (19,589)	\$ 23,702	\$ (26,379)	\$ (28,155)	\$ (29,521)	\$ (31,418)	\$ (28,635)
Business type activities	5,107	(9,366)	379	4,142	5,652	6,184	2,716
Total primary government net expense	\$ (14,482)	\$ 14,336	\$ (26,000)	\$ (24,013)	\$ (23,869)	\$ (25,234)	\$ (25,919)
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes							
Property taxes	\$ 11,172	\$ 11,777	\$ 12,476	\$ 12,469	\$ 15,774	\$ 15,137	\$ 15,573
Sales taxes	8,032	9,177	9,048	9,352	9,263	9,001	8,052
Franchise and local business taxes	1,024	927	1,655	2,030	2,029	1,272	1,268
Communication Tax	-	-	-	-	-	1,882	1,633
Cigarette and Motor fuel taxes	2,017	2,580	2,548	2,500	2,266	2,225	2,099
Unrestricted grants and contributions							
Investment earnings	509	357	700	1,436	2,194	1,944	1,745
Miscellaneous	3,230	3,596	3,259	994	567	1,393	717
Extraordinary item	-	-	-	-	(1,250)	(6,750)	-
Transfers	(2,474)	(2,210)	(1,405)	1,146	2,002	1,982	1,876
Total governmental activities	23,510	26,204	28,281	29,927	32,845	28,086	32,963
Business type activities:							
Investment earnings	403	323	711	1,347	1,397	1,010	642
Transfers	2,474	2,210	1,405	(1,146)	(2,002)	(1,982)	(1,876)
Miscellaneous	84	199	408	217	561	204	174
Total business type activities	2,961	2,732	2,524	418	(44)	(768)	(1,060)
Total primary government	\$ 26,471	\$ 28,936	\$ 30,806	\$ 30,345	\$ 32,801	\$ 27,318	\$ 31,903
Change in Net Assets							
Governmental activities	\$ 3,921	\$ 49,906	\$ 1,903	\$ 1,772	\$ 3,324	\$ (3,332)	\$ 4,328
Business type activities	8,068	(6,633)	2,903	4,560	5,608	5,416	1,656
Total primary government	\$ 11,989	\$ 43,273	\$ 4,806	\$ 6,332	\$ 8,932	\$ 2,084	\$ 5,984

* Net asset information is not available for fiscal years preceding the implementation of GASB 34.

City of Key West, Florida

Table 3
Governmental Activities Tax Revenues By Source

For the last seven fiscal years*
Accrual basis
(In thousands)

Fiscal Year	Property Tax	Sales Tax	Franchise & Local Business Tax	Cigarette & Motor Fuel Tax	Communication Tax	Total
2003	\$ 11,172	8,032	1,024	2,017	-	\$ 22,245
2004	\$ 11,777	9,177	927	2,580	-	\$ 24,461
2005	\$ 12,476	9,048	1,655	2,548	-	\$ 25,727
2006	\$ 12,469	9,352	2,030	2,500	-	\$ 26,351
2007	\$ 15,774	9,263	2,029	2,266	-	\$ 29,332
2008	\$ 15,137	9,001	1,272	2,225	1,882	\$ 29,517
2009	\$ 15,573	8,052	1,268	2,099	1,633	\$ 28,625

* Net asset information is available from fiscal year 2003 forward.

City of Key West, Florida

**Table 4
Fund Balances of Governmental Funds**

**For the last ten fiscal years
Modified accrual basis
(in thousands)**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund										
Reserved	\$ 251	\$ 1,140	\$ 1,349	\$ 2,761	\$ 2,699	\$ 2,696	\$ 2,637	\$ 2,647	\$ 2,379	\$ 2,516
Unreserved	8,623	10,664	12,071	10,926	11,744	9,618	10,908	11,819	12,362	6,177
Total general fund	<u>\$ 8,874</u>	<u>\$ 11,804</u>	<u>\$ 13,420</u>	<u>\$ 13,687</u>	<u>\$ 14,443</u>	<u>\$ 12,314</u>	<u>\$ 13,545</u>	<u>\$ 14,466</u>	<u>\$ 14,741</u>	<u>\$ 8,693</u>
All other governmental funds										
Reserved	\$ 1,622	\$ 4,410	\$ 2,715	\$ 2,422	\$ 1,367	\$ 960	\$ 1,314	\$ 1,442	\$ 1,136	\$ 4,604
Unreserved, reported in:										
Special revenue funds	4,378	3,686	7,559	5,005	7,857	12,353	13,656	19,527	20,329	14,916
Capital projects funds	4,275	2,388	1,183	4,191	5,625	4,572	5,808	5,809	8,585	11,156
Total all other governmental funds	<u>\$ 10,275</u>	<u>\$ 10,484</u>	<u>\$ 11,457</u>	<u>\$ 11,618</u>	<u>\$ 14,849</u>	<u>\$ 17,885</u>	<u>\$ 20,778</u>	<u>\$ 26,778</u>	<u>\$ 30,050</u>	<u>\$ 30,676</u>

City of Key West, Florida

Table 5
Changes in Fund Balances of Governmental Funds

For the last ten fiscal years
Modified accrual basis
(in thousands)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues										
Taxes	\$10,566	\$11,198	\$12,287	\$12,196	\$20,296	\$21,305	\$21,768	\$24,989	\$24,194	\$24,271
Licenses and permits	2,110	2,162	1,960	2,163	2,139	2,667	2,735	3,224	2,451	2,174
Intergovernmental income	13,647	14,614	16,658	13,607	6,481	6,754	10,056	9,092	11,130	20,190
Payment in lieu of taxes	2,453	2,880	2,470	2,603	2,603	2,603	-	-	-	-
Charges for services	5,727	4,584	6,004	7,104	6,565	8,226	7,584	7,827	7,245	7,067
Fines and forfeitures	916	832	1,060	1,044	1,035	1,245	1,134	1,049	1,153	1,252
Investment earnings	1,204	1,295	826	509	302	701	1,436	2,194	1,944	1,745
Rental income	1,107	1,065	1,315	1,336	1,306	1,359	1,437	1,441	1,384	1,784
Contributions and other	728	175	331	263	48,488	379	650	863	575	269
Total Revenues	38,458	38,805	42,911	40,825	89,215	45,239	46,800	50,679	50,076	58,752
Expenditures										
General government (1)	9,549	9,460	8,685	9,791	10,928	14,162	12,774	13,229	13,376	21,921
Public safety	11,748	12,343	14,025	14,857	15,995	17,895	20,014	19,113	19,089	19,198
Physical environment	46	49	46	72	100	212	137	236	486	238
Transportation	3,045	4,613	2,236	2,897	2,307	2,326	2,897	2,865	3,594	3,253
Economic environment	1,294	1,241	1,348	1,925	1,293	1,108	2,229	1,963	5,278	14,622
Culture and recreation	1,536	1,637	1,852	2,128	2,644	2,765	3,653	4,687	2,949	1,886
Human Services	-	-	-	-	131	438	423	497	513	407
Capital outlay	4,472	2,303	9,440	5,997	51,265	3,835	2,996	2,858	3,030	4,037
Debt service:										
Principal	241	625	-	-	294	147	147	206	147	147
Interest	69	60	-	42	79	40	53	51	49	41
Total expenditures	32,000	32,331	37,632	37,709	85,036	42,928	45,323	45,705	48,511	65,750
Excess (deficiency) of revenues over expenditures	6,458	6,474	5,279	3,116	4,179	2,311	1,478	4,973	1,565	(6,998)
Other financing sources (uses):										
Proceeds from financing	-	-	-	650	-	-	-	-	-	-
Transfers in	3,330	3,576	1,555	5,277	4,162	5,732	6,272	6,032	8,498	11,674
Transfers out	(4,270)	(4,611)	(4,247)	(9,221)	(5,902)	(7,137)	(5,126)	(4,030)	(6,517)	(10,098)
Total other financing sources (uses)	(940)	(1,035)	(2,692)	(3,294)	(1,740)	(1,405)	1,146	2,002	1,981	1,576
Net change in fund balances	\$ 5,517	\$ 5,439	\$ 2,587	\$ (178)	\$ 2,439	\$ 906	\$ 2,624	\$ 6,975	\$ 3,546	\$ (5,422)
Ratio of total debt service expenditures to total noncapital expenditures	0.01	0.02	-	-	0.01	-	-	0.01	-	-

(1) Includes judgments in the amount of (\$ 8,000,000) for 2009.

City of Key West, Florida

Table 6
General Governmental Expenditures (1)
For the last ten fiscal years

Fiscal Year	General Government	Public Safety	Physical Environ- ment	Transport- ation	Economic Environment	Culture and Recreation	Other	Total
2000	\$9,377,707	\$11,722,345	\$45,943	\$2,003,693	\$84,250	\$1,536,339	\$747,847	\$25,518,124
2001	\$8,410,884	\$12,297,822	\$49,129	\$1,331,922	\$84,165	\$1,633,428	\$770,957	\$24,578,307
2002	\$8,513,067	\$14,006,103	\$45,942	\$1,608,593	\$194,969	\$1,850,504	\$384,884	\$26,604,062
2003	\$9,455,008	\$14,778,086	\$71,623	\$1,909,772	\$148,675	\$2,124,501	\$293,407	\$28,781,072
2004	\$10,548,284	\$15,802,101	\$100,236	\$1,023,054	\$2,492,250	\$2,505,438	\$352,232	\$32,823,595
2005	\$13,006,947	\$17,780,422	\$206,122	\$1,132,120	\$103,300	\$2,406,903	\$1,149,686	\$35,785,500
2006	\$11,935,946	\$19,892,420	\$137,216	\$1,162,165	\$101,500	\$2,439,103	\$422,624	\$36,090,974
2007	\$12,858,911	\$19,024,792	\$155,387	\$1,214,718	\$80,500	\$3,680,251	\$498,399	\$37,512,958
2008	\$13,280,079	\$18,967,798	\$486,062	\$1,505,712	\$75,875	\$2,119,775	\$733,186	\$37,168,487
2009	\$20,967,021	\$18,946,855	\$238,268	\$1,214,366	\$2,546,639	\$1,781,975	\$684,512	\$46,379,636

(1) Expenditures and other uses include General Fund only.

City of Key West, Florida

Table 7
General Governmental Revenues and
Other Financing by Source (1)
For the last ten fiscal years

Fiscal Year	Taxes	Licenses and Permits	Inter- govern- mental	Payments in Lieu of Taxes	Charges for Services	Fines and Forfeitures	Investment Earnings and Other	Total
2000	\$ 10,566,144	\$ 2,109,864	\$ 5,220,328	\$ 2,453,100	\$ 5,726,942	\$ 872,021	\$ 1,951,911	\$ 28,900,310
2001	\$ 11,198,006	\$ 2,162,492	\$ 4,820,611	\$ 2,879,700	\$ 4,584,258	\$ 713,580	\$ 1,944,046	\$ 28,302,693
2002	\$ 12,287,197	\$ 1,960,006	\$ 4,389,928	\$ 2,470,200	\$ 6,003,909	\$ 961,811	\$ 2,030,944	\$ 30,103,995
2003	\$ 12,196,152	\$ 2,163,112	\$ 4,706,826	\$ 2,603,100	\$ 7,103,614	\$ 1,000,347	\$ 1,880,122	\$ 31,653,273
2004	\$ 12,293,708	\$ 2,138,922	\$ 4,933,486	\$ 2,603,100	\$ 7,477,406	\$ 985,764	\$ 2,192,871	\$ 32,625,257
2005	\$ 13,551,986	\$ 2,667,164	\$ 5,534,231	\$ 2,603,100	\$ 6,908,916	\$ 1,221,735	\$ 1,864,706	\$ 34,351,838
2006	\$ 13,778,074	\$ 2,734,730	\$ 8,160,794	\$ 3,472,008	\$ 6,504,436	\$ 1,092,883	\$ 2,600,679	\$ 38,343,604
2007	\$ 16,999,393	\$ 3,223,910	\$ 6,801,001	\$ 3,747,343	\$ 6,794,871	\$ 916,443	\$ 2,839,013	\$ 41,321,974
2008	\$ 16,397,107	\$ 2,451,347	\$ 5,756,244	\$ 3,999,948	\$ 6,141,451	\$ 1,030,830	\$ 2,694,967	\$ 38,471,894
2009	\$ 17,106,605	\$ 2,174,363	\$ 8,573,429	\$ 3,984,774	\$ 6,195,123	\$ 1,013,421	\$ 2,498,370	\$ 41,546,085

(1) Revenues and other sources include General Fund only.

City of Key West, Florida

Table 8
Property Tax Levies and Collections
For the last ten fiscal years

Total Fiscal Year	Tax Levy	Current Tax	Percent of Levy	Collections Delinquent Tax	Total Tax	Percent of Levy
2000	\$ 10,211,992	\$ 9,825,364	96.2	\$ 17,565	\$ 9,842,929	96.4
2001	\$ 10,873,760	\$ 10,410,929	95.7	\$ 13,570	\$ 10,424,499	95.9
2002	\$ 11,467,257	\$ 11,024,265	96.1	\$ 45,436	\$ 11,069,701	96.5
2003	\$ 11,482,644	\$ 11,145,859	97.1	\$ 22,652	\$ 11,168,511	97.3
2004	\$ 11,812,058	\$ 11,354,751	96.1	\$ 12,724	\$ 11,367,475	96.2
2005	\$ 12,248,266	\$ 11,901,020	97.2	\$ -	\$ 11,901,020	97.2
2006	\$ 12,146,013	\$ 11,752,575	96.8	\$ -	\$ 11,752,575	96.8
2007	\$ 15,448,634	\$ 14,970,043	96.9	\$ -	\$ 14,970,043	96.9
2008	\$ 14,927,005	\$ 14,299,402	95.8	\$ 46,791	\$ 14,346,193	96.1
2009	\$ 15,273,933	\$ 14,680,697	96.1	\$ 21,279	\$ 14,701,976	96.3

Note: Fiscal year information presented above is for the previous calendar year for the tax levy.

Source: Danise Henriquez, Tax Collector, Monroe County, Florida.

City of Key West, Florida

Table 9
Assessed and Estimated Value of Taxable Property
For the last ten fiscal years
(In Thousands)

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Exemptions Allowed for Real/Personal Property	Total Net Assessed Value	Total Direct Tax Rate	Total Net Estimated True Value	Ratio Net Assessed to True Value
2000	\$5,344,327	\$282,994	\$2,939,300	\$2,688,021	3.7912	\$2,688,021	1.0
2001	\$5,800,494	\$281,045	\$3,087,068	\$2,994,471	3.6246	\$2,994,471	1.0
2002	\$5,873,413	\$326,466	\$2,836,850	\$3,363,029	3.4098	\$3,363,029	1.0
2003	\$6,290,554	\$321,668	\$2,631,664	\$3,980,558	3.1612	\$3,980,558	1.0
2004	\$6,752,625	\$318,063	\$2,730,286	\$4,340,402	2.9815	\$4,340,402	1.0
2005	\$9,273,128	\$322,287	\$4,236,380	\$5,359,035	2.6003	\$5,359,035	1.0
2006	\$10,718,386	\$360,504	\$4,227,713	\$6,851,177	2.0863	\$6,851,177	1.0
2007	\$12,301,233	\$369,917	\$4,208,873	\$8,462,277	2.3034	\$8,462,277	1.0
2008	\$11,507,171	\$375,730	\$5,182,044	\$6,700,857	2.0354	\$6,700,857	1.0
2009	\$10,347,911	\$371,594	\$4,825,992	\$5,893,513	2.2794	\$5,893,513	1.0

Note: Fiscal year information presented above is for the previous calendar year for the tax levy.

Also Note: The significant increases in recent years in net assessed value result from reassessments.

Source: Ervin Higgs, CFA, Property Appraiser, Monroe County, Florida.

City of Key West, Florida

Table 10
Property Tax Rates
Direct and Overlapping Governments
For the last ten fiscal years

Fiscal Year	City	County	School Board	Other	Total
2000	3.7912	5.1056	5.6555	1.3606	15.9129
2001	3.6246	4.2181	5.1840	1.3611	14.3878
2002	3.4098	4.1407	4.9890	1.3611	13.9006
2003	3.1612	3.9455	4.7130	1.3611	13.1808
2004	2.9815	3.5238	4.4220	1.3611	12.2884
2005	2.6003	3.1736	3.9320	1.3060	11.0119
2006	2.0863	2.8001	3.3820	1.3060	9.5744
2007	2.3034	2.5609	3.0610	1.2475	9.1728
2008	2.0354	2.2656	2.9460	1.0415	8.2885
2009	2.2794	2.6883	2.9220	1.0038	8.8935

Note: Fiscal year information presented above is for the previous calendar year for the tax levy.

Also Note: Tax rates shown above are per \$1,000 of assessed valuation.

Source: Danise Henriquez, Tax Collector, Monroe County, Florida.

City of Key West, Florida

Table 11
Principal Taxpayers
Current Year and Nine Years Ago

Name of Taxpayer	Type of Business	2009 Assessed Value	Rank	Percent of Total Assessed Valuation	1999 Assessed Value	Rank	Percent of Total Assessed Valuation
Galleon Condominium Assoc Inc	Condominium	\$ 66,975,760	1	1.13	-	-	-
Hyatt Vacation Management	Timeshare	64,162,847	2	1.08	-	-	-
City of Key West	Municipality - Marina	59,258,512	3	1.00	-	-	-
Windward Point	Resort Hotel	48,403,279	4	0.81	-	-	-
SH5 LTD	Condominium	36,800,134	5	0.61	-	-	-
JLW Key West 1 LLC	Hotel	35,311,362	6	0.59	-	-	-
Tannex Development Corp.	Condominium	31,295,759	7	0.52	-	-	-
Bellsouth (Southern Bell)	Utility	30,149,384	8	0.50	20,949,807	5	0.78
Casa Marina	Resort Hotel	29,607,736	9	0.49	48,222,377	1	1.79
Parrot Key Associates	Resort Hotel	28,018,755	10	0.47	-	-	-
Hilton	Resort Hotel	-	-	-	29,677,084	2	1.10
Holiday Inn	Resort Hotel	-	-	-	23,529,984	4	0.88
Sheraton Suites	Resort Hotel	-	-	-	20,471,222	6	0.76
Reach	Resort Hotel	-	-	-	19,010,571	8	0.71
Southernmost Beach LP	Resort Hotel	-	-	-	19,892,937	7	0.74
Pier House	Resort Hotel	-	-	-	25,028,596	3	0.93
Ocean Key House	Resort Hotel	-	-	-	16,880,400	10	0.63
Hyatt Key West	Resort Hotel	-	-	-	17,825,695	9	0.66
Totals		<u>\$ 429,983,528</u>		<u>7.20</u>	<u>\$ 241,488,673</u>		<u>8.98</u>

Source: Ervin Higgs, CFA, Property Appraiser, Monroe County, Florida.

City of Key West, Florida

Table 12
Ratio of Net General Obligation Bonded Debt to Assessed
Value and Net General Obligation Bonded Debt Per Capita
For the last ten fiscal years

Fiscal Year	Popula- tion (1)	Net Assessed Value (2) (000's)	Gross Bonded Debt (3)	Debt Service Monies Available	Net Bonded Debt	Ratio of Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2000	34,230	\$2,688,021	-	-	-	-	-
2001	25,478	\$2,994,471	-	-	-	-	-
2002	25,853	\$3,363,029	-	-	-	-	-
2003	25,811	\$3,980,558	-	-	-	-	-
2004	26,215	\$4,340,402	-	-	-	-	-
2005	25,811	\$5,359,035	-	-	-	-	-
2006	23,935	\$6,851,177	-	-	-	-	-
2007	23,262	\$8,462,277	-	-	-	-	-
2008	23,024	\$6,700,857	-	-	-	-	-
2009	23,922	\$5,893,513	-	-	-	-	-

(1) Source: City of Key West Planning Department.

(2) Figures are from Table 9 of this Statistical Section.

(3) Gross bonded debt amount here excludes revenue bonds.

City of Key West, Florida

Table 13
Ratio of Annual Debt Service Expenditures for
General Obligation Bonded Debt
to Total General Governmental Expenditures (1)
For the last ten fiscal years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2000	-	-	-	\$25,518,124	-
2001	-	-	-	\$24,578,307	-
2002	-	-	-	\$26,604,062	-
2003	-	-	-	\$28,781,072	-
2004	-	-	-	\$32,823,595	-
2005	-	-	-	\$35,785,500	-
2006	-	-	-	\$36,090,974	-
2007	-	-	-	\$37,512,958	-
2008	-	-	-	\$37,168,487	-
2009	-	-	-	\$46,379,636	-

- (1) Gross bonded debt service here excludes debt service on revenue bonds.
(2) General expenditures include General Fund only.

City of Key West, Florida

Table 14
Computation of Direct and Estimated Overlapping
Governmental Activities Debt
September 30, 2009

	<u>Debt Outstanding</u>	<u>Applicable to City of Key West</u>	
		<u>Percentage</u>	<u>Amount</u>
Direct debt:			
City of Key West (1)	\$ -	100.00%	\$ -
Estimated overlapping debt:			
Monroe County, District			
School Board (2)	<u>\$ 18,852,000</u>	33.24% (3)	<u>\$ 6,266,569</u>
Total ad valorem tax supported debt	<u>\$ 18,852,000</u>		<u>\$ 6,266,569</u>
<u>Ratios:</u>			
Overall debt to 2009 taxable valuation			0.11%
Overall debt per capita			\$ 261.96

(1) City of Key West direct debt does not include revenue bonds.

(2) Monroe County School Board debt is as of June 30, 2009, and does not include revenue bonds.

(3) Overlapping debt percentage was determined by a ratio of the assessed value of property subject to taxation in the City of Key West to the total assessed value of property subject to taxation in the overlapping unit.

City of Key West, Florida

Table 15
Revenue Bond Coverage
Sanitary Sewer System Fund
For the last ten fiscal years
(In Thousands)

Fiscal Year	Gross Revenues (1)	Cost of Operation and Maintenance (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			
				Principal	Interest	Total	Coverage
2000	\$14,190	\$5,254	\$8,936	\$505	\$1,707	\$2,212	4.04
2001	\$12,859	\$5,435	\$7,424	\$525	\$1,683	\$2,208	3.36
2002	\$10,753	\$4,944	\$5,809	\$550	\$1,658	\$2,208	2.63
2003	\$10,588	\$6,448	\$4,140	\$575	\$1,732	\$2,307	1.79
2004	\$10,503	\$7,227	\$3,276	\$885	\$1,132	\$2,017	1.62
2005	\$10,499	\$6,275	\$4,224	\$895	\$1,115	\$2,010	2.10
2006	\$12,062	\$5,409	\$6,653	\$915	\$1,110	\$2,025	3.29
2007	\$11,659	\$5,516	\$6,143	\$935	\$1,079	\$2,014	3.05
2008	\$11,886	\$5,720	\$6,166	\$950	\$1,060	\$2,010	3.07
2009	\$11,755	\$5,722	\$6,033	\$975	\$1,039	\$2,014	3.00

(1) Gross revenues exclude impact fees, connection fees and federal and state grants.

(2) Total operating expenses exclude payments in lieu of taxes, depreciation and amortization, principal, interest expense, and gain (loss) on the disposal of capital assets.

(3) Debt service shown above includes principal and interest of refunded bonds only (Series 2003).

City of Key West, Florida

Table 16
Revenue Bond Coverage
Key West Bight
For the last ten fiscal years
(In Thousands)

Fiscal Year	Net Revenue of Facilities (1)	Local Government Half Cent Tax Revenues	Guaranteed Entitlement	Total Pledge Revenues	Maximum Annual Debt Service on Bonds	Pro Forma Debt Service Coverage
2000	\$2,202,055	\$3,037,208	\$392,780	\$5,632,043	\$1,562,963	3.60
2001	\$2,173,931	\$2,864,063	\$392,780	\$5,430,774	\$1,562,963	3.47
2002	\$2,135,051	\$2,909,065	\$392,780	\$5,436,896	\$1,562,963	3.48
2003	\$2,231,122	\$3,044,041	\$392,780	\$5,667,943	\$1,562,963	3.63
2004	\$2,072,275	\$3,309,692	\$392,780	\$5,774,747	\$1,562,963	3.69
2005	\$2,003,005	\$3,205,706	\$392,780	\$5,601,491	\$1,562,963	3.58
2006	\$2,182,372	\$3,342,178	\$392,780	\$5,917,330	\$1,562,963	3.79
2007	\$3,119,535	\$3,278,954	\$392,780	\$6,791,269	\$1,562,963	4.35
2008	\$2,901,413	\$3,174,398	\$392,780	\$6,468,591	\$1,562,963	4.14
2009	\$2,819,092	\$2,833,706	\$392,780	\$6,045,578	\$1,562,963	3.87

(1) Gross revenues - excluding grants, contributions and donations, less operating expenses - excluding extraordinary items, depreciation and interest.

City of Key West, Florida

Table 17
Demographic Statistics
For the last ten fiscal years

Fiscal Year	Population (1)	Per Capita Income (1)	Median Age (1)	Education Level (2)	Public School Enrollment (3)	Unemployment Rate (4)
2000	34,230	\$24,943	39	12.9	4,027	2.0%
2001	25,478	\$37,144	N/A	N/A	4,063	N/A
2002	25,853	\$37,029	43	N/A	4,063	N/A
2003	25,811	\$27,966	39	N/A	4,056	2.3%
2004	26,215	\$40,203	N/A	N/A	N/A	N/A
2005	25,811	N/A	N/A	N/A	N/A	N/A
2006	23,935	\$26,316	39	N/A	4,056	2.6%
2007	23,262	\$26,316	39	N/A	4,038	2.8%
2008	23,024	\$32,662	43	N/A	3,868	4.3%
2009	23,922	\$33,549	43	N/A	3,791	6.8%

(1) Sources: City of Key West Planning Department and Bureau of Economic and Business Research, University of Florida.

(2) No Data was available for the City of Key West or Monroe County.

(3) Source: Monroe County School Board.

(4) Source: FDLES, Bureau of Labor. Market information was calculated by calendar year.

Note: Informational items are not consistently available for every year, and are reported significantly after the reporting period.

City of Key West, Florida

Table 18
Principal Employers*
September 30, 2009

Employer	<u>Employees</u>
Public Sector	
US Armed Forces	1,664
Monroe County Schools	1,335
Monroe County Government	761
Monroe County Sheriff's Office	497
City of Key West	477
Florida Keys Aqueduct Authority	258
Florida Keys Community College	225
Keys Energy Services	163
Private Sector	
Kmart	750
Health Management Associations	600
Baptist (Mariner's Hospital)	500
Historic Tours of America	300
Hawk's Cay Resort	295
Publix	280
Winn Dixie	195
Singh Resorts	185

* Employer information including percent of total employment was not available, this data is for Monroe County as no information for the City of Key West was available.

City of Key West, Florida

Table 19
Property Value and Construction
For the last ten fiscal years
(Dollars in Thousands)

Fiscal Year	Property Value (1)			Construction (2)	
	Real/Personal Property Assessed Value	Exemptions Allowed for Real/Personal Property	Total Net Assessed Value	Number of Permits	Value
2000	\$5,627,321	\$2,939,300	\$2,688,021	5,423	\$247,173
2001	\$6,081,539	\$3,087,068	\$2,994,471	6,308	\$769,332
2002	\$6,199,879	\$2,836,850	\$3,363,029	5,251	\$253,354
2003	\$6,612,222	\$2,631,664	\$3,980,558	6,484	\$86,694
2004	\$7,070,688	\$2,730,286	\$4,340,402	6,012	\$67,899
2005	\$9,595,415	\$4,236,380	\$5,359,035	5,306	\$96,236
2006	\$11,078,890	\$4,227,713	\$6,851,177	7,003	\$149,062
2007	\$12,671,150	\$4,208,873	\$8,462,277	7,529	\$168,984
2008	\$11,882,901	\$5,182,044	\$6,700,857	4,971	\$23,721
2009	\$10,719,505	\$4,825,992	\$5,893,513	4,215	\$16,389

(1) Figures here are derived from Table 9 of this Statistical Section.

(2) Source: City of Key West Building and Zoning Department.

City of Key West, Florida

Table 20
Operating Indicators by Function/Program
For the last seven fiscal years

Function/Program	2003	2004	2005	2006	2007	2008	2009
General government:							
Building permits issued	6,484	6,012	5,306	7,003	7,529	4,971	4,215
Building inspections performed	9,186	11,546	10,169	10,622	12,547	11,275	7,392
Occupational licenses	8,321	9,224	8,824	9,031	8,673	8,990	9,072
Fire:							
Emergency responses	*	1,962	2,417	1,925	1,935	2,160	1,206
Inspections	*	523	514	986	1,844	1,440	779
Police:							
Physical arrests	2,119	2,053	1,979	1,801	1,101	2,031	2,166
Parking violations	42,151	38,081	49,260	47,036	48,820	48,312	46,893
Traffic violations	4,708	6,501	9,109	6,030	6,409	5,040	4,331
Cemetery:							
Burials	*	104	120	123	113	95	86
Sewer:							
Average daily flow (millions of gallons per day)	5	4	5	5	5	4	4
Solid Waste:							
Refuse annually tons	57,144	59,907	60,799	62,729	55,624	58,296	50,594
Recycle annual in tons	2,344	2,045	2,122	1,894	2,095	2,484	2,517
Marinas:							
Key West Bight:							
Diesel gallons pumped	232,552	364,884	380,446	270,702	429,871	354,378	349,664
Gas gallons pumped	*	79,008	123,372	116,432	122,633	79,114	78,872
Transient customers	1,053	1,392	1,297	1,108	1,202	1,436	986
Ferry terminal:							
Boat landings	***	*	*	435	431	508	393
Passenger disembarkments	***	*	88,820	81,709	96,796	85,134	148,300
Diesel gallons pumped	***	283,471	280,267	153,849	447,104	412,360	137,631
Garrison Bight:							
Transient customers	388	*	338	431	586	496	396
Mooring field monthly permits	39	61	66	38	49	49	165
Ramp usage	4,469	4,059	4,217	5,202	4,951	4,437	4,879
Cars parked overnight	4,786	4,710	5,475	6,238	5,787	5,050	N/A
Transportation:							
Cruiseship passengers	*	897,551	1,008,076	859,089	831,063	733,910	862,043
Sidewalks repaired/replaced sf	*	*	37,887	53,196	19,535	36,296	61,719
Parking lots (annual # of cars)							
Park n' Ride	*	63,073	58,526	44,361	43,402	41,694	38,277
Mallory Square	*	105,862	102,202	84,221	92,476	92,654	88,703
Key West Bight	*	91,950	79,132	63,743	60,306	59,758	56,111
Bus ridership (passengers)	*	*	318,058	505,885 **	481,962	479,748	455,905

* Incomplete data

** New service began up the Keys in 2006

*** Ferry Terminal Opened in 2004

City of Key West, Florida

Table 21
Capital Asset Statistics by Function/program
For the last seven fiscal years

Function/Program	2003	2004	2005	2006	2007	2008	2009
Fire:							
Fire Stations	3	3	3	3	3	3	3
Engines	6	6	6	6	6	7	7
Aerial	1	1	1	1	1	1	1
Light duty rescue	0	1	1	1	1	1	1
Police:							
Stations	1	1	1	1	1	1	1
Patrol Units	96	100	100	100	98	89	105
Parking enforcement units	7	7	7	7	7	7	7
Parks and Recreation:							
Acreage	69.25	69.25	69.25	69.25	69.25	69.25	69.25
Playgrounds	2	2	2	3	3	3	3
Baseball/softball diamonds	7	7	7	7	7	7	7
Soccer/football fields	4	4	4	4	4	4	4
Basketball courts	5	5	5	5	5	5	5
Pools	1	1	1	1	1	1	1
Sewer:							
Length of system	58	58	58	58	58	58	58
Plant daily capacity (millions of gallons per day)	10	10	10	10	10	10	10
Storm Water:							
Length of system	11	11	11	11	11	11	11
Key West Bight:							
Slips:							
Transient slips	79	84	85	90	92	92	92
Commerical slips	45	43	43	43	42	42	42
Other slips	25	22	21	16	15	15	15
Fuel capacity (gallons):							
Gasoline	4,000	10,000	10,000	10,000	10,000	10,000	10,000
Diesel	12,000	20,000	20,000	20,000	20,000	20,000	20,000
Leaseable retail space:							
(square feet)	78,266	75,723	88,728	88,164	86,938	86,407	86,407
Ferry Terminal:							
Commerical slips	4	4	4	4	4	4	4
Diesel capacity (gallons)	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Garrison Bight:							
Transient slips	47	47	29	35	35	29	29
Liveaboard/pleasure	136	136	154	145	146	148	148
Other slips	37	37	37	40	39	43	43
Mooring field	81	149	149	149	149	149	149
Transportation:							
Number of buses	15	15	15	15	15	17	17
Cruiseports	3	3	3	3	3	3	3
Ferry terminals	0	1	1	1	1	1	1

City of Key West, Florida

Table 22
FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM
For the last eight fiscal years

	2002	2003	2004	2005	2006	2007	2008	2009
City Commission	5	5	5	5	5	5	5	5
City Management	2	2	2	2	2	2	3	3
Management services and other	77	86	83	84	81	79	82	80
Recreation	32	35	35	35	35	39	33	31
Fire	73	73	73	73	73	73	71	71
Public Works	41	32	33	36	34	36	30	34
Police protection	123	133	133	137	137	133	122	122
Building	21	22	23	23	23	26	28	17
Capital	11	11	11	14	16	14	5	1
Roads and Sidewalks	0	0	0	0	0	0	3	4
Sewer	18	18	10	9	9	9	7	4
Stormwater	0	0	0	2	3	3	2	2
Solid waste	34	34	34	11	12	12	12	10
Recreation marinas	22	22	23	25	26	39	44	42
Redevelopment	0	0	0	6	5	5	6	7
Transportation	29	29	31	32	40	41	44	44
Total	<u>488</u>	<u>502</u>	<u>496</u>	<u>494</u>	<u>501</u>	<u>516</u>	<u>497</u>	<u>477</u>

